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Abstract

Increasingly, municipal its role in improving municipal employment. However, empirical studies on TIF have primarily examined TIF’s impact on property values, ignoring the claim that serves as the primary justification for its use. This article addresses the claim by examining the impact of TIF adoption on municipal employment growth in Illinois, looking for both general impact and impact specific to the type of development supported. Results find no general impact of TIF use on employment. However, findings suggest that TIF districts supporting industrial development may have a positive effect on municipal employment, whereas TIF districts supporting retail development have a negative effect on municipal employment. These results are consistent with industrial TIF districts capturing employment that would have otherwise occurred outside of the adopting municipality and retail TIF districts shifting employment within the municipality to more labor-efficient retailers within the TIF district.

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1.
1. Almada (1999), Kadin (1996b), Martin (1998), O’Brien (2000), Rusin (1997), and Washburn (1997) all report on TIF projects that municipal leaders promoted as job creators.
2.

2. In Illinois, the authority and decision to adopt TIF belongs to municipalities. Therefore, the process in which TIF is adopted and administered varies by jurisdiction.
3.
3. Almada (2002a, 2002b), Dardick (2002), Kadin (1996a), Kuczka (1995), and Washburn (1997) give general outlines of budgets for specific TIF developments.
4.
4. The model was also estimated accounting for TIF adoption 3 and 4 years previous. These lagged adoption dummy variables had no statistically significant effect on employment.
5.
5. Because the FD model uses the change in the adoption status of a municipality, when a municipality adopts a TIF district the adoption variable ($TIF1_{it}$ - $TIF1_{i,t-1}$) follows a pattern of 0, 1, -1, 0, 0. Whereas over the same period the adoption variable ($TIF2_{it}$ - $TIF2_{i,t-1}$) follows a pattern of 0, 0, 1, -1, 0. As a result the correlation between $TIF1_{it}$ and $TIF2_{it}$ as well as $CLASS1_{kit}$ and $CLASS2_{kit}$ have correlations between -0.48 and -0.55 in the sample.
6.
6. Regression results without $CTAX_{it}$ as an independent variable can be provided on request.
7.
7. Failure to satisfy the “but for” provision, that is, if the employer would locate or expand within the municipality with or without the TIF incentive, could also result in an employment effect of zero.
8.
8. Estimating the model with only *TIF1* or *TIF2* did not dramatically change the coefficients or their standard errors. The model was also estimated with a dummy variable for TIF adoption occurring 3 and 4 years previous. This too had little effect on the coefficients of *TIF1* and *TIF2.*

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