



The Economics and Politics of Tax Increment Financing

DAVID B. LAWRENCE, SUSAN C. STEPHENSON

First published: January 1995

<https://doi.org/10.1111/j.1468-2257.1995.tb00163.x>

Citations: 19

The authors would like to thank Ron Carzoli of the Polk County Auditor's office, without whose knowledge and kind assistance this study would not have been possible. They are also grateful for the information and advice of Red Brannan, Jim Maloney, Dale Hyman, David Swenson, Bob Hauser, Allen McKinley, Tom Parkins, Dick Stradley, and three anonymous referees. Professor Stephenson passed away in September, 1994. She leaves a legacy of love and respect by all who had the pleasure of knowing her.

Abstract

ABSTRACT Tax Increment Financing (TIF) is a popular yet controversial tool that allows local governments to use property tax revenue to fund the public costs of economic development. Since TIF gives one local government the power to affect the tax bases of the overlapping jurisdictions, there is uncertainty and argument on the part of government officials and taxpayers as to who really finances the program. To evaluate the alternative contentions, this paper presents a general methodology that identifies which taxpayers in which locations fund the TIF's expenditures, and sets forward the conditions under which such a local economic development policy can be beneficial to taxpayers. The paper applies the model to study the TIF program currently active in downtown Des Moines, Iowa. The evidence indicates that the taxpayers in the entire metropolitan area subsidized the downtown activities in the early years, but now pay lower property tax rates due to the city's TIF-financed urban revitalization program.

REFERENCES

Anderson, J. 1990. Tax increment financing: Municipal adoption and growth. *National Tax Journal* 43 (June): 155-63.

[Web of Science®](#) | [Google Scholar](#)

Burnside, T. 1981. Tax increment financing: Rational basis or revenue shell game *Urban Law Annual* 22: 283-300.

[Google Scholar](#)

Carzoli, R. 19781993. *Abstract of Polk County taxes*. Des Moines : Office of the Polk County Auditor.

[Google Scholar](#)

Davidson, J. 1979. Tax increment financing as a tool for community development. *University of Detroit Journal of Urban Law* 56 (Winter): 405-44.

[Web of Science®](#) | [Google Scholar](#)

Des Moines City Assessor. 19781993. Annual Report.

[Google Scholar](#)

Dudley, C. 1985. Tax increment financing for redevelopment in Missouri: Beauty and the beast. *UMKC Law Review* 54 (Fall): 77-108.

[Google Scholar](#)

Huddleston, J. 1981. Variations in development subsidies under tax increment financing. *Land Economics* 57 (August): 373-84.

[Web of Science®](#) | [Google Scholar](#)

Huddleston, J. 1982. Local financial dimensions of tax increment financing: A cost-revenue analysis. *Public Budgeting and Finance* 2 (Spring): 40-49.

[Google Scholar](#)

Huddleston, J. 1986. Distribution of development costs under tax increment financing. *Journal of the American Planning Association* 52 (Spring): 194-98.

[Web of Science®](#) | [Google Scholar](#)

Klemanski, J. 1989. Tax increment financing: Public funding for private economic development projects. *Policy Studies Journal* 17 (Spring): 656-71.

[Web of Science®](#) | [Google Scholar](#)

Luther, J. 1987. Tax increment financing: Municipalities avoiding voter accountability. *Detroit College of Law Review* 8 (Spring): 89-120.

[Google Scholar](#)

Stinson, T. 1992. Subsidizing local economic development through tax increment financing: Costs in nonmetro communities in southern Minnesota. *Policy Studies Journal* 20 (No. 2): 241-48.

Winter, G. 1991. Tax increment financing: A potential redevelopment financing mechanism for New York municipalities. *Fordham Urban Law Journal* 18 (Summer): 655–94.

Citing Literature



[Download PDF](#)

ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

HELP & SUPPORT

[Contact Us](#)

[Training and Support](#)

[DMCA & Reporting Piracy](#)

OPPORTUNITIES

[Subscription Agents](#)

[Advertisers & Corporate Partners](#)

CONNECT WITH WILEY

[The Wiley Network](#)

[Wiley Press Room](#)

