

FROM THE CITY MANAGER

Yes, Microsoft is Paying Taxes!

By Tom Hadden



Data Centers are locating in Iowa, and media coverage has focused on the large tax breaks these corporations are receiving. I want to assure you this is not true in West Des Moines. Microsoft is paying taxes.

In some cases, people are confusing tax increment financing (TIF) with tax abatement. West Des Moines used TIF with Microsoft. We did not use tax abatement.

The term tax abatement means that a property owner, whether a home owner or a business, does not pay taxes. If a City gives a company a 20-year, 100% tax abatement, the company pays no property taxes during that time. This approach was used for Facebook in Altoona.

Other communities give partial tax abatement. Waukee recently chose this option when they awarded 71% tax abatement to Apple. Keep in mind that whether partial or full, tax abatement postpones tax payments and forces public entities to make up the difference in some other way.

In contrast to other cities, West Des Moines did not abate or lessen taxes for our three data centers. Microsoft has paid, and will pay, taxes based on a peak of \$600 million in taxable value. The company has agreed to a value for each of their three projects and will pay the total taxes for 20 years, at which time the value will be updated by the assessor.

So where do the tax receipts from Microsoft go?

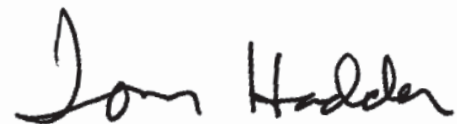
The city, school district and county each receive debt service payments that help pay costs associated with borrowing money for projects. While all three of Microsoft's facilities are in West Des Moines, each one is in a different county and a different school district. This means that Polk, Warren and Dallas counties, and the West Des Moines, Norwalk and Waukee school districts, all benefit from Microsoft's property tax payments.

The difference between TIF and tax abatement is easy to understand if you remember that tax abatement benefits a company and Tax Increment Financing (TIF) benefits a community (cities, counties and schools). Cities and counties use TIF for new development or redevelopment. Once an area is defined as a TIF district, the tax base value is established or frozen. As development or redevelopment happens in the district, the value of the property increases and any value above the original "frozen" value is captured by the city to finance defined costs that benefit the entire area. The public benefits when the TIF district sunsets or ends because a larger tax base has been created for property tax levies.

West Des Moines is using TIF where Microsoft is building to capture the revenue in taxes (minus debt service) to develop infrastructure in that area. Eventually, Grand Prairie Parkway will connect from I-80 to Highway 5, and we'll build a bridge over the Raccoon River. Veteran's Parkway also will be extended and sanitary sewer and water line will be built. West Des Moines taxpayers are not paying for this infrastructure. TIF dollars are doing so, or more to the point, Microsoft.

West Des Moines is home to many great companies that provide jobs and a tax base for our community. That tax base is essential to providing public services such as city streets, sanitary sewer and water, public safety services, public schools, parks and libraries.

We look forward to having a long and productive relationship with Microsoft for many years to come!



Tom Hadden