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## **Regional Infrastructure Improvement Zones (RIIZs)** **FREQUENTLY ASKED QUESTIONS**

### **Q: What are RIIZs?**

**A:** Introduced in federal legislation (H.R. 3780) in the 112<sup>th</sup> Congress on January 18, 2012 by Congressman Geoff Davis (R-KY, 3) and cosponsored by Congressmen Schiff (D-CA,29) and Schock (R-IL, 18), Regional Infrastructure Improvement Zones (RIIZs) are a new, innovative solution to encourage private sector investment in public infrastructure through a favorable tax treatment of contributions through streamlined local government approval processes. RIIZs would allow private corporations or individuals in a community to contribute tax deductible funds toward the construction or maintenance of public infrastructure as long as that infrastructure is a part of an approved regional plan, which thereby can demonstrate local government and community stakeholder approval and support. RIIZs were conceptualized by the Ohio-Kentucky-Indiana Regional Council of Governments (OKI).

### **Q: Why are RIIZs important?**

**A:** The infrastructure inadequacies plaguing our communities – crumbling bridges, aging highways, rail, ports, and mass transit, and deteriorating water and sewer systems – are in dire need of maintenance and improvement; it is estimated this will cost more than \$2.2 trillion dollars over the next five years to maintain current status. However, federal, state and local budgets are under constraints, cuts and significant deficits, and innovative infrastructure funding and financing solutions are necessary for basic maintenance and improvements. Since states and localities account for 75 percent of total infrastructure spending, RIIZs offer a unique local and regional tool to finance/fund growing infrastructure needs. RIIZs further define a commitment to upgrading our infrastructure nationwide, while protecting our environment, boosting the economy and creating jobs.

### **Q: What is the process for establishing a RIIZ?**

**A:** Businesses or individuals that want to establish a RIIZ and contribute to infrastructure improvements must petition through their local multi-jurisdictional regional planning organization, e.g. a Council of Government, Economic Development District, Metropolitan Planning Organization, Local Development District, etc. The regional planning organization will determine, by examining approved long range and comprehensive regional plans and discussing with the local governments and community stakeholders, if the investment fits within the approved plan. A certificate of approval will be issued and the RIIZ established to allow investment. This will be filed with the state's Attorney General and the Internal Revenue Service (IRS). Once this is complete, individuals/businesses can begin contributing tax deductible funds to projects within the RIIZ.

### **Q: What if I don't have a multi-jurisdictional regional planning organization in my area?**

**A:** In this case, RIIZ activities and responsibilities would fall to the appropriate local government entity and be subject to the local government comprehensive plan(s).

### **Q: Do RIIZs legally hold local governments or their representative liable?**

**A:** No. RIIZs do not hold any one entity legally reliable for the federal tax code.

### **Q: Do RIIZs institute any new federal requirements or mandates?**

**A:** No. RIIZs are completely voluntary, and do not institute new federal infrastructure planning or project implementation requirements or mandates. RIIZs uphold established federal, state and local processes and requirements.

### **Q: How does a RIIZ interact with state and local statutes?**

**A:** RIIZs are a change to the federal tax law, and therefore, do not interfere or change any state or local statutes or requirements.



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**Q: How are RIIZs different from Tax Increment Financing (TIF)?**

**A:** TIF is a tool to use future gains in taxes to finance municipal improvements. For instance, when a public project is carried out, there is often an increase in the value of surrounding real estate, perhaps new investment and sometimes increased tax revenues, known as the “tax increment.” TIF dedicates tax increments within a certain defined district to finance debt issued to pay for the project. TIF is generally designed to channel funding toward improvements in distressed or underdeveloped areas where development might not otherwise occur. TIF essentially borrows against future property tax revenues. This is not the case for RIIZs. RIIZs are not contingent upon local bonding, debt financing or tax revenues. While locally derived, RIIZs have bearing only on the federal tax code allowances and benefits passed on to investors through their own personal or corporate income tax deductions.

**Q: What types of projects are eligible under a RIIZ?**

**A:** Many infrastructure projects are eligible under a RIIZ as long as those projects are on the approved comprehensive regional plan, go through the public approval/education process and enhance the infrastructure system of the designated area. Eligible projects fall within the categories of infrastructure construction and/or maintenance. RIIZs will not cover operating expenses related to infrastructure. Eligible projects include, but are not limited to:

- *Transportation* – any highways, roadway, bridges, public transit systems, or intermodal transportation
- *Drinking Water, Wastewater and Stormwater* – treatment facilities; and related green infrastructure.

**Q: What does a RIIZ look like?**

**A:** A RIIZ may be as small as a single street or as large as an entire city. One example of a RIIZ could be an add-a-lane project at a four way intersection. On one corner is a local bank, another is a department store and the third and fourth corners house an office building and a gas station. Each of these businesses, going through the proper processes, can apply to their local regional planning organization for RIIZ status in order to add a turn lane, sidewalk or bus stop to enhance safety, offer increased business and job growth, and improve overall community access. Additional RIIZ examples are available.

**Q: How are the financial contributions to the RIIZ categorized?**

**A:** RIIZ contributions are to be realized on corporate or individual annual tax forms. Anyone making a contribution to the RIIZ will be issued a receipt that can be used for tax deduction purposes in the tax year the donation is made.

**Q: Are RIIZs tax credits?**

**A:** No, RIIZs are tax deductions, not tax credits. Under the current federal tax code, Internal Revenue Code of 1986 (title 26 of the United States Code), you may contribute tax deductible funds to public infrastructure only if it does not directly benefit you or your business. RIIZs would change that to allow for tax deductions on income tax to contributions made to public infrastructure that are approved within the comprehensive regional plans of multi-jurisdictional regional planning organizations that are governed by local government elected and appointed officials. RIIZ contributions reduce taxable income and so the reduction in tax is only a fraction (the marginal tax rate) of the deduction or allowance. The deduction would be subtracted from gross income when the taxpayer computes his or her income taxes. As a result, the tax deduction will lower overall taxable income and thus lower the amount of tax paid. The exact amount of tax savings is dependent on the tax rate. A tax credit, on the other hand, reduces the amount of the tax owed, rather than reducing the taxable income.



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**Q: What are some of the benefits of RIIZs?**

**A:** RIIZs would provide a great number of opportunities for communities, businesses and government by supporting locally conceived public-private partnerships. RIIZs would:

- Uphold proven regional and local infrastructure investment decision-making processes;
- Drive money directly to the local level in urban, suburban and rural areas alike;
- Include local governments and local elected and appointed officials as critical partners in the federal infrastructure process;
- Offer new options to fund infrastructure improvements and construction projects that are already approved, needed and ready for funding;
- Offset local government match requirements for infrastructure projects that use federal funds; and,
- Be revenue positive for government.

**Q: What are the checks and balances for using RIIZs?**

**A:** RIIZs offer many checks and balances to ensure that government processes are upheld and contributions are deemed an appropriate expense. RIIZs uphold proven regional and local infrastructure investment decision-making processes by going through the policy board (local elected officials) of a multi-jurisdictional local regional planning organization; maintaining consistency, transparency and accountability; and, tying infrastructure investments closely to a region's approved plans, the local community's needs and the overall public good. Through the RIIZ process, there are many layers of requirements and approvals:

1. Public/community stakeholder review(s).
2. Multi-jurisdictional regional planning organization process (includes meetings, plan review, staff coordination and Board of Directors review).
3. Local government elected and appointed official review(s).
4. State Attorney General review and processing.
5. Internal Revenue Service review and approval.

**Q: What is the status of RIIZs in Congress?**

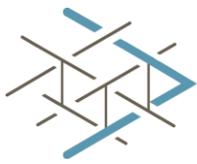
**A:** Congressman Geoff Davis (R-KY, 4) introduced H.R.3780 on Wednesday, January 18, 2012. OKI, working through the National Association of Regional Councils (NARC) and with Congressman Davis, is assembling a mix of bi-partisan co-sponsors, as well as build a strong and diverse list of nationwide supporters – local governments, regional planning organizations, community groups, associations, businesses and the like.

**Q: What can I do to help?**

**A:** Pass resolutions of support and send letters supporting the RIIZ concept that urge your Members of Congress to co-sponsor the legislation. NARC has available draft resolution and support letter language.

**Q: Who can I contact for more information?**

**A:** Mark Policinski, Executive Director, OKI at [mpolicinski@oki.org](mailto:mpolicinski@oki.org) or 513.621.6300  
Shannon Baxevanis, Deputy Director, NARC at [shannon@NARC.org](mailto:shannon@NARC.org) or 202.986.1032, x217



**Q: What organizations have endorsed RIIZs?**

**A:** The following list of organizations support the establishment of RIIZs through the federal tax code:

NAME	LOCATION	COMPOSITION	POPULATION
<b>Ohio-Kentucky-Indiana Regional Council of Governments</b>	Greater Cincinnati, Ohio region	117 governmental and community members from 200 communities in the 8-county, 3-state region	1.9 million
<b>National Association of Regional Councils</b>	Nationwide	representing 220 regional councils and MPOs	Membership reaches 99% of the population
<b>Ohio Association of Regional Councils</b>	Ohio	21 regional councils that serve 1,525 local governments	10.5 million
<b>Illinois Metropolitan Planning Organization Advisory Council</b>	Illinois	13 MPOs	12.5 million
<b>California Association of Councils of Governments</b>	California	35 regional councils	30 million
<b>Florida Regional Council Association</b>	Florida	11 regional councils	15 million
<b>Florida Metropolitan Planning Organization Advisory Council</b>	Florida	26 MPOs	15 million
<b>New England Association of Regional Councils</b>	Maine, New Hampshire, Massachusetts, Rhode Island, Connecticut, Vermont	59 regional councils in New England	14 million
<b>Gulf Coast Strategic Highway Coalition</b>	Parts of Texas, Louisiana and Mississippi	governments, businesses, and regional councils	N/A
<b>American Society of Highway Engineers</b>	Nationwide	6,000-plus highway industry practitioners	6,000-plus
<b>NAIOP, the Commercial Real Estate Development Association</b>	Nationwide	15,000-plus commercial real estate developers, owners and investors	15,000-plus (with 56 local chapters)
<b>Alliance for I-69 Texas</b>	East to South Texas	public and private sector leaders from 34 counties	N/A
<b>West Michigan Shoreline Regional Development Commission</b>	Greater Muskegon, Michigan region	127 local governments in 6 counties	500,000
<b>Southern California Association of Governments</b>	Greater Los Angeles, California region	189 cities and 6 counties	19 million
<b>Northeast Florida Regional Council</b>	Greater Jacksonville, Florida region	7 counties and 27 municipalities	1.1 million
<b>North Central Florida Regional Planning Council</b>	Greater Gainesville, Florida region	11 counties and 33 incorporated municipalities	504,000
<b>Treasure Coast Regional Planning Council</b>	Greater Palm Beach, Florida region	4 counties and 50 municipalities	2.7 million



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<b>NAME</b>	<b>LOCATION</b>	<b>COMPOSITION</b>	<b>POPULATION</b>
<b><i>Toledo Metropolitan Area Council of Governments</i></b>	Greater Toledo, Ohio region	6 counties, 100 governments and 50 community organizations	790,000
<b><i>Buckeye Hills-Hocking Valley Regional Development District</i></b>	Greater Reno, Ohio region	8 counties and 2 cities	255,000
<b><i>Eastgate Regional Council of Governments</i></b>	Greater Youngstown, Ohio region	3 counties, 13 cities, 20 villages and 65 townships	585,400
<b><i>Ohio Valley Regional Development Commission</i></b>	Greater Waverly, Ohio region	12 counties	636,000
<b><i>Deep East Texas Council of Governments</i></b>	Greater Jasper, Texas region	12 counties	336,000
<b><i>East Texas Council of Governments</i></b>	Greater Kilgore, Texas region	14 counties	745,200
<b><i>Capital Area Council of Governments</i></b>	Greater Austin, Texas region	10 counties	1.4 million
<b><i>Alamo Area Council of Governments</i></b>	Greater San Antonio, Texas region	12 counties	1.8 million
<b><i>Delaware Valley Regional Planning Commission</i></b>	Greater Philadelphia, PA region (bi-state, PA & NJ)	352 municipalities (9 counties)	5.5 million
<b><i>Southwestern Pennsylvania Commission</i></b>	Greater Pittsburgh, PA region	10 counties	2.7 million
<b><i>Greater Valley Forge Transportation Management Association</i></b>	Greater Valley Forge, PA region	Business, municipal, county and state officials	N/A