

## Tax Incremental Financing (TIF)

What is it?	Tax incremental financing is an economic development tool, approved in the state of WI, to assist in development of blighted or underutilized properties.
How does it work?	TIF uses the expected increase (or increment) in property tax revenues from a defined area to finance municipal investment calculated to spur growth within the district. Redevelopment of properties within a TIF district is expected to increase the property value and tax revenue collected on that additional value is used to pay back the municipality for its investment within the district.
When is it used?	TIF financing is used when an area is not being (re)developed due to needed infrastructure or high costs to specific properties to bring the site into development condition such as environmental issues or demolition costs
Forms of Investments	Municipal investment can be the building of needed infrastructure to support new growth such as roads, sewers, water, street lighting. It can also be in form of incentives to the developer.
Time	A TIF district has a life of 27 years unless amended which can extend it by 4 years
TIF Terms	<ul style="list-style-type: none"> <li>• TID- tax increment district- the contiguous geographical area within a municipality that is identified and approved in the plan.</li> <li>• Base Value- the equalized value of real and personal property in a TID when created</li> <li>• Increment- the difference between the base value and the current value.</li> <li>• Tax Increment- Taxes levied by the overlying tax jurisdictions on the value between the base value and the current value of the TID</li> </ul>

<p>Where does the revenue come from?</p>	<p>When a TID is created, the municipality and other taxing jurisdictions agree to support their normal operations from the existing tax base within the district, assuming if the TID was not created, there would be no additional growth to the existing tax base. Property taxes for the school, county, technical college, and municipality are based on the taxable value of the TID at the time it is created. The tax rates are applied to the TID value increment (the difference between the TID's current value and the TID's base value), which results in additional revenues collected for the district's fund. Eligible TID costs are paid from these revenues before the additional tax base is shared.</p> <p>The properties within the district are taxed at the full tax rate of the municipal property owners but the revenue generated on the <u>incremental value</u> is not given to the other taxing districts until the municipality's investment has been reimbursed. Other taxing entities would be school district, county and technical college.</p>
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**B. How TIF Works**

When a municipality creates a TID, the municipality and other taxing jurisdictions agree to support their operation from the existing tax base within the TID. They agree the municipality will use the taxes on the value increase in the TID to pay for the investment.

From State of Wisconsin- Tax Increment Financing Manual

**1. Sharing the tax base**

