

# What is TIF?

Tax incremental financing (TIF) is a method of financing that generates tax revenue to be used toward funding infrastructure and development. TIF is the most effective tool Wisconsin cities and villages have to spur economic development and job creation. Municipalities have been using TIF successfully since 1975. The TIF process allows a municipality to pay for public improvements and other eligible costs within a designated area, called a tax incremental district (TID), using the future taxes collected on the TID's increased property value to repay the cost of the improvements. The rationale behind TIF is that public investment will promote private development, jobs and tax base growth that would not otherwise occur absent the TID.

## Wisconsin TIF Success

- As of August 2015, there were 1,128 active TIDs in Wisconsin. Since inception, these TIDs have generated a combined increment, which is growth in property value, of over \$16 billion or \$14.4 million per TID, with the average TID age being 11.93 years.
- The average TID active in 2015 added \$1.2 million to the tax base per year since its creation. This figure represents a tax base generated within TIDs and does not account for increases in value in neighboring areas occurring because of the TID growth.
- Growth occurs at a faster rate in TIDs. From August 2014 to August 2015, the total equalized value of all active TIDs increased by 6.42 percent. In comparison, state equalized value as a whole increased in value by only 2.42 percent.
- The majority of TIDs have sufficient increment to pay off their project costs. Of the 1,128 TIDs in 2015, only 5.5 percent were distressed and less than 1 percent were severely distressed. Only 5.4 percent of TIDs in 2015 were decrement TIDs, which are valued at less than 90 percent of the TID's base value in 2014 and in 2015.
- In 2015, 30 TIDs were terminated after generating \$445 million in incremental value during their lifetimes. The numbers for 2014 are very similar: the 31 TIDs terminated that year created a combined \$485 million in increment.
- Since 2000, 447 TIDs have been terminated in Wisconsin, adding nearly \$9 billion of new value to the tax base.



## Tax Incremental Financing *A Powerful Economic Development Tool*



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# TIF: Fact vs. Fiction

**Fiction:** TIF harms school and county tax revenues.

**Fact:** School districts are not adversely impacted by TIDs since districts are often compensated for the loss in local tax revenues through increases in state aids. When an area is designated as a TID, the property value within that area is determined and becomes the TID’s base value. Schools and counties continue to receive their standard share of tax revenues on this base value. TIDs receive no tax revenues from this base value. The only tax money that goes toward the TID comes from taxing the growth generated by TIF-funded projects. When a TID’s project costs are paid off, this new tax base is opened up to the schools and county, which are then able to benefit from increased tax revenues that would not exist without TID funding.

**Fiction:** TIF is a tax break for businesses.

**Fact:** Property owners within a TID pay the same tax rate as everyone else; the only difference is that some of their taxes go toward paying TID project costs.

**Fiction:** TIF is corporate welfare.

**Fact:** TIF is used to fund public infrastructure and other project costs necessary to incentivize private investment that otherwise would not occur. Current taxpayers are not bearing any new burden. Rather, new tax base that would not have existed but for the TIF investment is created and, ultimately, will offset the tax burden of other taxpayers.

**Fiction:** Municipalities try to keep TIDs open as long as possible.

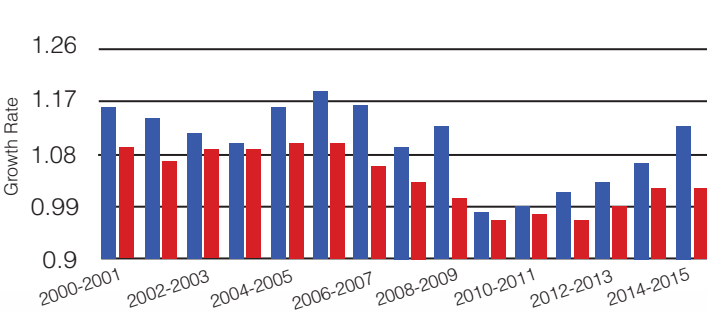
**Fact:** Municipalities are motivated to close TIDs as soon as the TID project costs are paid off. Municipalities are unable to use tax revenues from the TIF value increment on anything other than TID project costs until after the TID is closed. TIDs can be open for a maximum of 27 years or longer in certain limited circumstances, but the average TID life of all TIDs terminated from 2000 onwards is only 16.3 years.



Some Examples of TID Project Costs Compared to Value Created

Municipality	Costs	Value Increment	Increment-cost Ratio
Eau Claire	\$28,277,626	\$89,795,700	3.18
Franklin	\$36,352,913	\$116,460,900	3.20
Wausau	\$91,394,342	\$197,776,500	2.16
Wauwatosa	\$81,501,033	\$335,937,900	4.12
River Falls	\$17,742,183	\$44,225,200	2.49
Waukesha	\$71,055,179	\$216,077,400	3.04

TID Growth Rate and All Equalized Value Growth



Terminated TIDs since 2000

Municipality	Costs	Value Increment	Increment-cost Ratio
Germantown	\$32,240,816	\$84,378,850	2.62
Baraboo	\$9,846,716	\$44,688,000	4.54
Fond du Lac	\$42,423,159	\$106,468,300	2.51
Janesville	\$31,771,648	\$103,810,900	3.27
Sun Prairie	\$13,773,662	\$50,841,600	3.69
Madison	\$143,040,311	\$891,306,550	6.23
Whitewater	\$8,288,236	\$29,520,736	3.56

Increment Added to Tax Base by Year

