



Tax Incremental Financing Districts – Frequently Asked Questions

1. What is a Tax Incremental Financing District?

A Tax Incremental Financing District (TID) is an economic development tool used by municipalities to promote economic development and redevelopment initiatives within a geographic area defined by the City or Village.

2. How does a TID work?

Taxes collected on the increase of property value within the TID are used to pay for projects and expenses incurred within the TID. All of the taxing jurisdictions (City or Village, County, School District, and Technical College) continue to collect their share of taxes on property value established when the TID is created (referred to as the base value). The City or Village retains all of the taxes collected on increased value, including the amount attributable to the other taxing jurisdictions. If a property has a \$5,000,000 value when the TID is created, for example, all taxing jurisdictions will continue to collect their share of taxes on the \$5,000,000 base value. If the value increases to \$7,500,000, the City or Village will retain all of the taxes collected on the \$2,500,000 of new value generated. These additional taxes must be used to pay for projects that benefit the TID.

3. Do I pay a different tax rate if my property is located within a TID?

No. Property owners within a TID pay the same tax rate as properties located outside of a TID. The only difference is how the taxes paid are distributed to the taxing jurisdictions.

4. How long will the TID remain in place?

Mixed Use and Industrial TID's have a maximum life of 20 years. Rehabilitation/Conservation or Blight Elimination TIDs have a maximum life of 27 years. However, the average life of TIDs statewide is 12-16 years. The TID must close sooner if sufficient revenue has been generated to pay for projects and no additional costs are anticipated.

5. What types of projects can the City or Village undertake within the TID?

State Statutes provide the City or Village flexibility with respect to how TID funds are spent. Most infrastructure projects serving and benefitting the TID can be paid for with available TID increment. This includes street and utility improvements. The projects that the City or Village may consider undertaking are detailed in the "Project Plan" for the TID. The City or Village is under no obligation to complete a project identified in the TID project plan. If the TID is created, the Project Plan serves as a guide and planning tool for the City Council or Village Board.



**6. Will City or Village dollars be used to support project costs within the TID?**

The City or Village can use non-TID dollars to support projects within the TID. Eligible TID costs, if any, paid by the General Fund or Utilities can be reimbursed by the TID with interest once increment is available.

7. Does the TID change the zoning for my property?

No. The TID does not change existing zoning already in place.

8. Does the TID make it easier for the City or Village to use eminent domain?

No. The process identified within State Statutes for eminent domain is the same whether a property is within a TID or outside a TID.

9. Who decides how the TID is used and what projects occur within the TID?

The TID is a long-term economic development initiative and partnership with the other taxing jurisdictions. A Joint Review Board consisting of a representative of the City or Village, County, the local Technical College, the School District, and a public member decides if a TID is approved or denied. If approved, the City Council or Village Board determines how funds are spent within the District and establishes the overall vision for the TID within the authority granted within the Project Plan that is approved by the Joint Review Board. Priorities and expectations for the TID will need to be updated and reestablished during the life of the District as economic conditions change.

