

Tax Incremental Financing

What is Tax Incremental Financing?

Tax Incremental Financing (TIF) is a financing tool that cities use to help foster development in underutilized areas. Through TIF, cities can identify projects that will encourage the type of development they desire. TIF funds can be used to incentivize desirable development.

TIF helps pay for infrastructure improvements and development costs using property tax revenue generated from the new development.

Wisconsin's TIF laws were adopted by the state Legislature in 1975, and as of 2019 there were 1,341 active Tax Incremental Districts (TIDs) across the State. 68 new TIDs were created in 2019 alone.

TIF law includes a 'but for' provision, which requires cities to affirm that a development project would not happen 'but for' the use of TIF to fund the project. This requirement helps ensure that TIF funds are allocated to projects requiring financial assistance.

How do Tax Incremental Districts work?

A Tax Incremental District (TID) is the area that a municipality identifies as appropriate for development or infrastructure improvements.

Once a City Council establishes the TID boundary, 100% of the increase in property tax collections over the initial base creation amount goes toward funding infrastructure and development in the TID.

When the TID closes, the property tax collections return to the normal distribution, and all jurisdictions benefit from the increased taxes.

