



# Basics of Tax Incremental Financing

Village of Summit, WI  
December 11, 2025

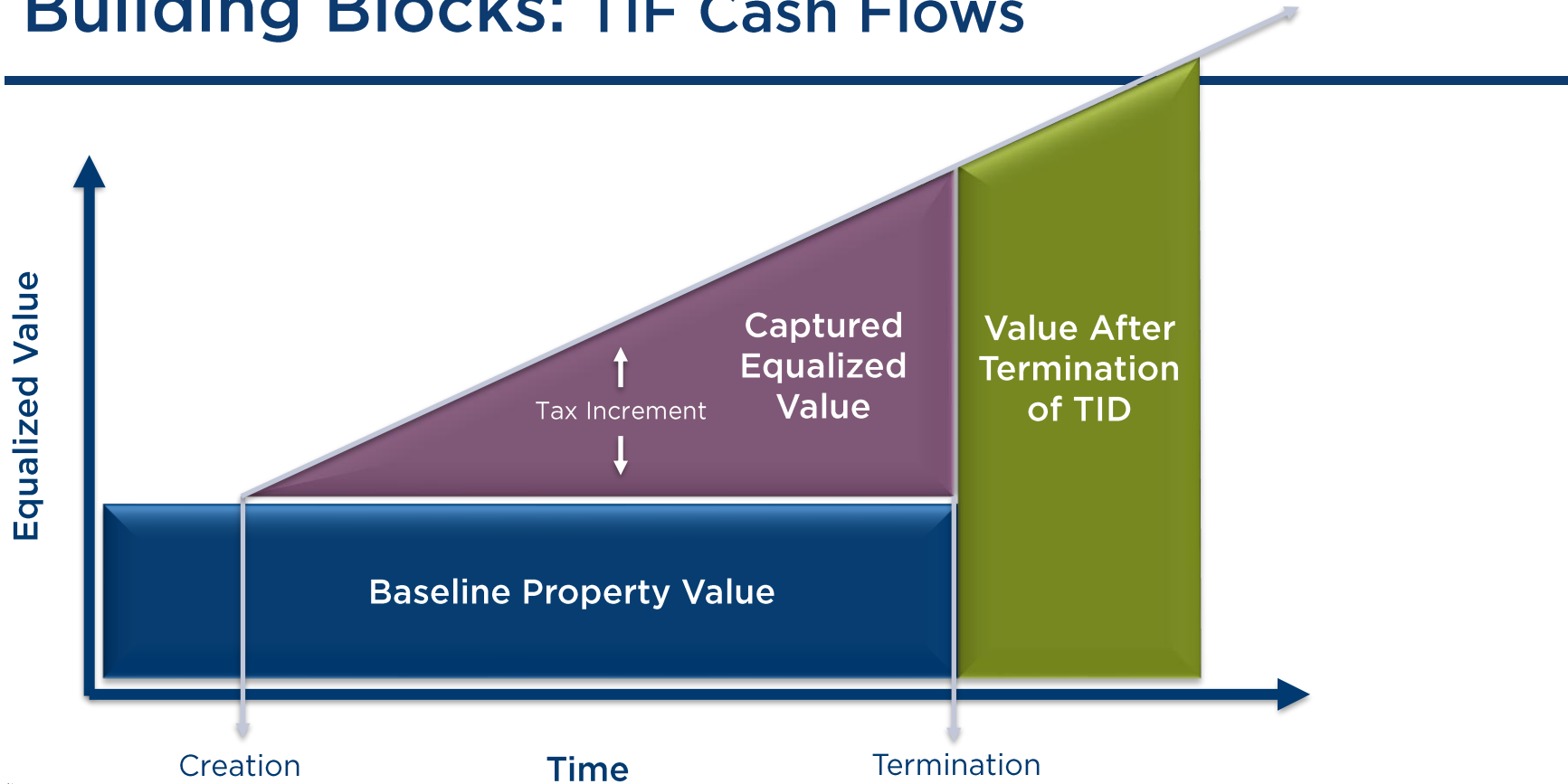
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# What is Tax Incremental Financing?

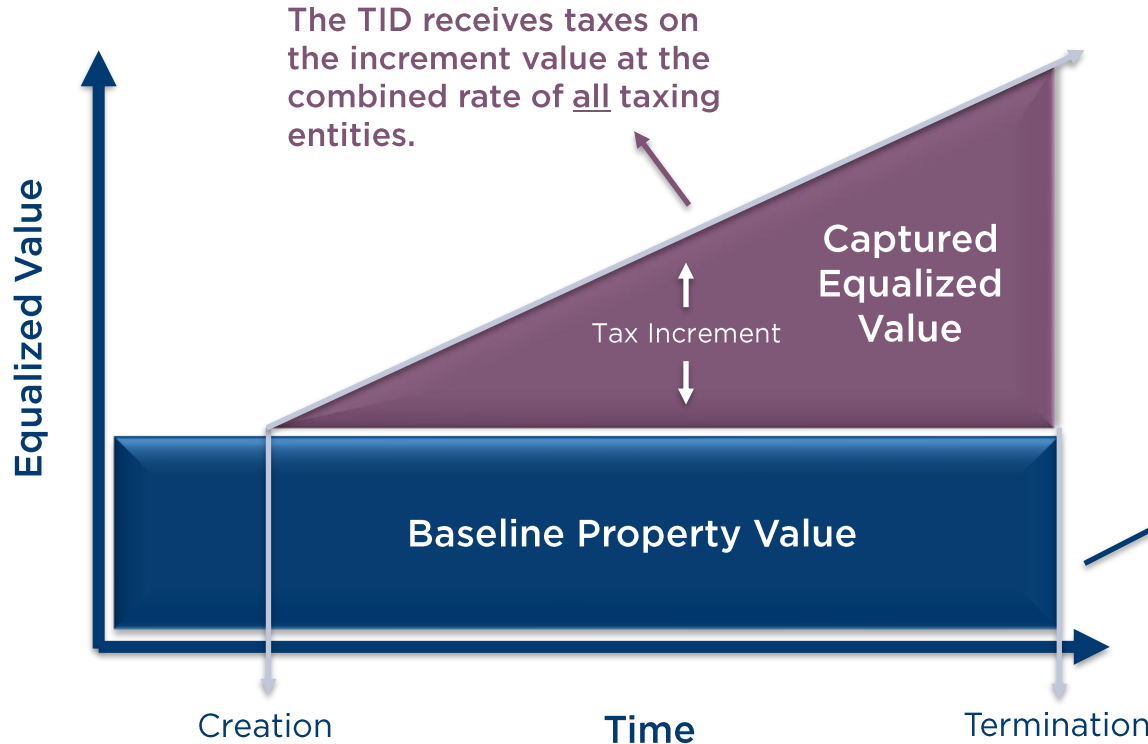
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- Key acronyms:
  - ✓ TIF = Tax Increment Financing (*the tool*)
  - ✓ TID = Tax Increment District (*where the tool is used - boundary*)
- Powerful economic development tool
- Allows municipalities to capture incremental **property tax revenue** from **growth** in defined area & use it to **benefit** that area

# Building Blocks: TIF Cash Flows



# Building Blocks: TID Tax Levies



Jurisdiction	Mill Rate
Local	\$6.50
County	\$4.00
School	\$7.50
VTAE	\$2.00
<b>TOTAL</b>	<b>\$20.00</b>

All taxing jurisdictions within TID boundary continue to receive their share of the tax levy on the base value of the TID.

# Why use TIF?

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## THE INTENT

- |  |  |
|--|--|
| ✓ Require cost participation amongst all taxing jurisdictions that ultimately benefit from increased property values | ✓ Promote economic development and redevelopment         |
| ✓ Address lack of other incentives and financial resources   | ✓ Promote cooperation between public and private sectors |

# Impacts of TIF

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Pay the same tax rate whether you are in a TIF district or not.

Does not change zoning – zoning changes still require separate approvals.

Does not make it easier to use eminent domain.

All projects require separate approval – TIF plan only makes them TIF eligible.

If taxable value increases, all taxing jurisdictions benefit when district closes.

Municipality takes on all financial risk if TIF district underperforms.

# TID Creation Requirements

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Increment value of existing TID(s)

+ proposed base value of new district(s)

**Must be < 12% of total Equalized Value**

- Contiguous area & cannot extend beyond corporate limits
- Other requirements & maximum life limits apply per TID type

# District Types

Type	Max Life	At Least 50% of Proposed District Area Must Be:	Newly Platted Residential
Mixed Use	20 Years	Suitable for combination of industrial, commercial & residential uses	Max 35% (plus density requirement)
Industrial		Zoned & suitable for industrial development	Not Allowed
Blighted Area	27 Years	Blighted	Not Allowed
Conservation or Rehabilitation		In need of conservation or rehabilitation	Not Allowed
Environmental Remediation		Containing significant environmental pollution	Not Allowed

# The “But For” Test

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- Standard applied by Joint Review Board
  - ✓ key underpinning of TIF program
- “But for” the use of TIF assistance, the proposed development could not occur:
  - ✓ as proposed
  - ✓ within same time frame
  - ✓ with same level of value



# The “But For” Test...cont.

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## How do you prove it?

- Independent third-party review of developer’s sources, uses & cashflows (with/without TIF assistance)
- Challenged site
- Extensive public infrastructure costs



Ultimately the Joint Review Boards’ judgment call

# TID Creation Procedure

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- Feasibility study (Project Plan)
- Initial Joint Review Board (JRB) meeting
- Public hearing of Plan Commission
- Governing body approval (official “Creation Date”)
- Final JRB approval
- State approval (procedural & legal review)



# TIF District Creation Team

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- Municipal Attorney letter of review needed for TID creation
- Joint Review Board
  - ✓ Municipal member
  - ✓ Public member
  - ✓ School District member
  - ✓ Technical College member
  - ✓ County member
- Municipal Advisor helps plan, coordinate required components



# Eligible Project Costs

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Public works & improvements

Financing

Real property assembly (land write-down)

Professional services

Administrative & organizational

Contributions to Community Dev. or Redev. Authority

Relocation

Pro-rated share of utility infrastructure (municipality-wide)

Cash grants (requires developer agreement)

Environmental remediation

Projects within ½ mile of district

**...All costs must directly relate to purpose of TID, including ½ mile.**

# Prohibited Project Costs

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- Constructing or expanding municipal buildings
- Facilities financed with utility user fees
- General gov't exp. unrelated to TID
- Costs associated with newly platted residential development
  - ✓ except in mixed-use districts with “qualifying” residential, no more than 35% of district by acreage)



# Amendments

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## Boundary

- May add, subtract property
- Must remain contiguous, can encircle non-district parcel
- Must follow 12% test to add property
- 4 amendment maximum during life of district

## Plan

- Used to amend list of proposed projects
- Revenue sharing
- No limit to number allowed (except maximum expenditure period)

...same procedure as TID Creation

# Expenditure Period

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- Maximum time period TID can incur expenses or obligate revenues related to project plan
- Ends 5 years prior to end of maximum life for all district types (extensions do not change expenditure period)
- After expenditure period ends, TID may continue to pay:
  - ✓ Debt service on existing obligations
  - ✓ Contractually-obligated expenses
  - ✓ Ongoing administrative expenses
  - ✓ If designated donor TID, district may continue to donate increment

# Maximum Life

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**A TID may remain open until the earliest of the following:**

- Maximum life is reached
- Tax increments (revenues) collected sufficient to pay project obligations (expenses)
- The municipality passes a resolution to close the district

**At closure:**

- Remaining funds (surplus) distributed proportionately to taxing jurisdictions (shared benefit) - OR -
- Unreimbursed project costs become general liability of the municipality (risk not shared)

# Funding Eligible Projects: Options

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## Community “Fronts” Costs

- Issue general obligation or revenue debt
- Advances from other funds

## Pay-As-You-Go

- Use TIF revenue stream and accumulated balances to pay expenses
- Developer agrees to up-front costs, repaid from TIF revenues

# Planning & Monitoring

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## Effective ways to mitigate risk

- Sensitivity analysis
- Worst case scenario, back-up plan

## Use together, proactively to:

- Better match expenses, debt service to revenues
- Ensure TID doesn't undertake projects it's unlikely to recover

## Can't fully eliminate risks

- Economic cycles, change in law, private party performance

# Important TIF Considerations

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- Under what circumstances TID will be used?
- Process to request assistance
- Term (maximum or flexibility)
- Proforma analysis
- Pay-as-you-go vs. traditional
- Community goals



# Let's Talk!

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