

TOP TEN TIF QUESTIONS

FOR TIDS CREATED UNDER S.66.1105

1. What is TIF or TID?

TIF (Tax Incremental Finance) is an economic development program that helps promote local tax base expansion by using property tax revenues to fund site improvements to attract new development or eliminate blight. A TID (Tax Incremental District) is the actual area designated for expansions and where improvements are being made.

2. Do property owners in a TID pay lower or higher taxes than other residents?

Owners of property in a TID pay the same rate of taxes that owners outside the TID pay. TIF is neither a tax freeze nor a tax increase, but a special allocation method for taxes collected on property value increases within the district.

3. Who may create a TID and how? Where can we get the application forms?

Cities and villages can create TIDs. Towns also have the authority to use TIF on a very limited scale. The required forms and process timeline for cities and villages can be found at the Department of Revenue website: <http://www.revenue.wi.gov/slf/tif.html>. Town forms can also be found at the Department of Revenue website.

4. What are eligible project costs?

Costs related directly to establishing and improving the TID are eligible. Examples of costs for TID's include capital development, financing, real property assembly, consulting and legal services, organizational activities, relocation, contributions & payments necessitated by the project plan, utility construction directly associated with the TID, or the removal or containment of lead contamination. Improvements outside the TID can be eligible costs, but only to the extent that the improvement serves property in the TID.

5. What is the maximum life?

The maximum life of a TID depends on the type of TID and when it was created.

Maximum life is as follows:

For TIDs created under s.66.1105:

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| • Existing TID's created before 10/1/95 | 27 years |
| • Blight or Rehab TIDs created after 9/30/95 | 27 years * |
| • Industrial TIDs created after 10/1/95 and before 10/1/04 | 23 years* |
| • Industrial or mixed use TID's created after 10/1/04 | 20 years* |

*With Joint Review approval the life of TID may be extended for 3 or 4 years.

6. Are there limits on the use of TIF?

Limits are applied to the creation of new districts or the addition of property to existing districts. The equalized value of property in the district, plus the value increment of all existing districts cannot exceed 12 percent of the total equalized value of taxable property within the municipality. This restriction does not apply when subtracting territory from a district.

7. When is the deadline to apply to DOR for a base value?

Application must be submitted by December 31st to DOR for a base value or redetermination. DOR will certify the values the following year. For example, to get a base value set on January 1, 2008, the creation resolution must be adopted before October 1, 2008, and the application must be received on or before December 31, 2008 and DOR will certify the value between Jan. and April 2009.

8. Who certifies the value increment annually?

The Department of Revenue certifies the annual value increment by August 15th each year. Municipalities must request that DOR certify their increment for each year they have a TID. This value is based on annual assessor's reports from the municipality for the TID.

9. What accounting reports are required to maintain a TID?

Each year municipalities with a TID are required to distribute an Annual Report to all overlying taxing jurisdictions summarizing the status of the TIDs they administer. Three accounting audits are also required as part of operating a TID: one after 30% of the expenditures are made, another 12 months after the end of the expenditure period, and the final audit 12 months after the termination of the TID. Upon final termination, an accounting report must also be submitted to DOR.

10. How are the incremental taxes generated? Or how is TIF funded?

Property tax rates for the school, county, technical college, and municipality are based on the taxable value of the TID at the time it is created. These rates are then applied to the TID value increment which results in additional revenues collected for the district's fund. Development costs are paid from these revenues before the added tax base is shared. The State of Wisconsin does *not* collect or pay increments to municipal governments.

Top 10 Municipal Internal Questions to Ask Before Using TIF

The following questions are for municipal officials to answer before setting up a TID. Thinking and talking through these questions with your overlapping taxing jurisdictions, consultant, and developer will help ensure that your community is entering into TIF for the right reasons, and has the dedication to see it to the finish.

1. Would the expected development occur without the use of tax incremental financing? This is the "But for" test.
2. How does the development in the TID fit into the overall economic picture of your municipality? Into an existing Comprehensive Plan? Are the kinds of businesses that will locate in the TID good for the community in the long run?
3. How does this TIF district benefit the property taxpayers? Is the total expenditure for eligible project costs feasible? Will the municipality be able to fund the costs prior to receiving the first increment dollars?
4. Who will take responsibility for making sure that all filing requirements are completed *after* the TID is created and upon termination?
5. How are the municipality, school, county & vocational school districts impacted by the TIF? Increased population, traffic impacts, fire & police protection, EMS, water, sewer, administrative services, increased student population and demand for training, housing needs, etc.
6. What are the risks to a municipality considering a TIF project?
7. How many and what kind of jobs will this development create?
8. Does the developer need a public subsidy? If so, how is the benefit analyzed? Is there a written developer's agreement with required notice given?
9. What written assurances does the municipality have that the development/redevelopment will happen as anticipated? Will the developer guarantee receipt of the projected increment?
10. What are the political risks associated with the TIF?