

TIF FAQ

Tax Increment Financing (TIF) is a powerful tool used by municipalities to help pay the costs of public infrastructure improvements, fund conservation, incentivize private investment and assist with other expenditures to promote economic development and redevelopment. Under a TID, the increased value generated by the development project is used to fund the municipality's investment in the site.



WHAT IS THE DIFFERENCE BETWEEN TID AND TIF?

A TID is a “tax increment district” which is a geographic area that has been identified by a Village or City for new public and private investment. TIF, or Tax Incremental Financing, is the financing instrument used by Villages and Cities to accomplish new public and private investment projects.

HOW DOES A TID HELP LOCAL COMMUNITIES?

Cities and Villages establish a TID to invest public funds to grow the tax base of its community and encourage private investment. Public funding may be provided to install new roads, extend water and/or wastewater, install other public improvements and provide financial incentives. TIF resources can only be provided for a development within the TID if the project demonstrates that, “But-For” the TIF resources being made available to the project, the project would not occur. If the project is eligible and the project complies with the But-For test, the project can seek TIF resources from the Village.

WHAT IS THE TAXPAYER IMPACT?

By establishing a TID, a City or Village is able to capture the property tax revenue from new development inside the TID to pay for public improvements in and around the TID. The Village, along with its financial advisor, carefully review the proposed expenses and expected, new property tax revenues to confirm that there will be sufficient property tax revenues inside the TID to support the public improvements. This process is carefully developed and reviewed by elected officials, financial advisors and consultants to ensure that there are little to no impacts to the taxpayer.

HOW WILL WE KNOW IF A TID IS SUCCESSFUL?

When a City or Village wish to establish a TID, they work with their financial advisor to develop a “Project Plan.” This plan includes the proposed expenditures (public improvements, incentives, etc.) and projected property tax revenues. The purpose of establishing a TID is to make any necessary public improvements in the TID and as a result, spur new private investment to occur. The TID can be deemed successful when the actual activities align with the Project Plan and meet or exceed the financial projections included in the Plan.

WHAT WILL THIS NEW TID FUND?

The new River Hills TIF will fund land acquisition, developer incentives, and public improvements such as public roads, and the extension of public water and sanitary sewer infrastructure.

