

What is the difference between a TID and a TIF?

TID = Tax Increment District

- The actual physical area designated for potential development projects.

TIF = Tax Increment Financing

- The economic development program that helps promote local tax base expansion by using property tax revenue to fund site improvements within a specified area.

How does a TIF work?

Every year when we pay our property tax bills, several different taxing entities receive a portion of this revenue. The jurisdictions include the Town of Sheboygan, Sheboygan County, Sheboygan Area School District, Kohler School District, Sheboygan Falls School District, Sheboygan County, Lakeshore Technical College, Town of Sheboygan Sanitary Districts and the State of Wisconsin. Although the Town collects the full property tax payment from you, we only retain a portion of the total for our operations and finances. And while the Town is the only entity involved in investing in the growth of the tax base, the other taxing jurisdictions also benefit from that growth.

When new development occurs within a TID, 100% of the new tax revenue is retained to pay off project costs. Projects could be new roads, water, sewer, blight elimination/raising of buildings, development incentives, and other project costs permitted by state law. General city property taxpayers DO NOT pay for these costs – they are paid for only by developments that occur within the TID itself.

It is important to note that revenue from the original, pre-TID property values continues to go to the taxing entities, like the school district, to ensure they are not losing revenue. One of the common misconceptions about TIF is that properties within a district do not pay taxes. That is not true. Each property owner within the district is charged property taxes based on the value of their property, and at the same rate as everyone else in the community.

Essentially, the other taxing entities are foregoing new tax revenue (generated only from tax base that would not occur “but for” the TID being in place) for a period of years until the TID closes. When the TID closes, ALL the taxing entities benefit from the increased tax revenues within the TID. The Town is the agent that invests in economic development, but from which all other entities benefit financially.

Prior to the creation of any TID, a Joint Review Board must approve it. This Joint Review Board, required by state law, has a voting representative from each of the affected taxing entities, as well as a citizen representative. Further, the Joint Review Board must be assured the TID is financially able to pay itself off so general taxpayers do not have to pay for costs associated with TID projects.

Why would a community use a TIF?

Cities, villages, and towns, even when they are neighbors, often compete for new tax base and job growth as they look for revenue to ensure they can continue to provide residents with the best possible public services with the lowest property tax burden. The desire to be the best possible place to live and work is a value held by all communities; thus, the associated competition for economic development. New tax base means new revenue: new job growth means more money available to spend in the local economy and on local businesses; new businesses and amenities (public and private) means more people viewing the community as a place to invest in a home and/or in which to raise a family. New economic development increases tax base so residents do not experience higher property tax bills in the future. The Town of Sheboygan wishes to ensure high-quality services and amenities, with the lowest required taxes possible.