

Fiscal Estimate Narratives
DOR 8/10/2007

LRB Number 07-2966/1	Introduction Number AB-0456	Estimate Type Original
Description The method by which the Department of Revenue makes certain calculations regarding a tax incremental district in the village of Union Grove		

Assumptions Used in Arriving at Fiscal Estimate

Tax Incremental Finance (TIF) is a financing tool available under current law to cities, villages, and, to a limited extent, towns to encourage economic development that would not occur without some public assistance. When a TIF district is created, the current property value in the district is set as the "base value." Improvements and development that occur after the TIF district is created lead to increases in its value over the base value (the increase is referred to as the increment value). The property taxes levied by all local taxing jurisdictions (i.e. the municipality, county, school district, technical college and any special districts) on the value increment are used to pay for the project costs needed for the development to occur. The tax on the base value continues to go to the taxing jurisdictions that levy the tax. After a TIF district terminates, the taxes paid by property owners within the district – on both the base value and value increments – are shared by all taxing jurisdictions.

Under current law, a city or village must follow certain procedures within certain time frames to create a TIF, including holding public hearings, obtaining approval of a proposed plan by the local legislative body, and adoption of a resolution creating the TIF district as of a certain date. There is no limit on the number of TIF districts that a municipality may create. However, under current law, a city or village can create a new district only if it satisfies a 12% capacity test. Under the test, the property value of the proposed district plus the increment value of all existing districts may not exceed 12% of the total property value of the municipality.

The Village of Union Grove attempted to create TIF district number 4 on February 27, 2006, but failed to meet the 12% capacity test. This bill specifies that for a district created by Union Grove prior to January 1, 2007, the Department must base its calculations for the value increment of all existing districts on values from the year before the year in which the resolution was adopted and must use projections of equalized value for the property within the district from the year before the year in which the district was created.

The bill's impact on Union Grove's proposed TIF district #4 is unclear since the district may not have been officially created prior to January 1, 2007. Assuming the bill would create the TIF district, information is not available at this time to determine the value increment that would occur over the life of the district. As such, an estimate of the tax base that would be unavailable to the overlying taxing jurisdictions during the life of the TIF district is not available.

The Department of Revenue's administrative costs under the bill are expected to be absorbed within existing budget authority.

Long-Range Fiscal Implications