

Fiscal Estimate Narratives

DOR 1/27/2010

LRB Number	09-4041/1	Introduction Number	SB-463	Estimate Type	Original
Description Extending the expenditure period of Tax Incremental District Number 6 in the city of Sheboygan and requiring the Department of Revenue to certify the tax base of Tax Incremental Financing District Number 18 in the city of Waukesha					

Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits cities, villages, and, to a limited extent, towns to finance certain public improvements needed to encourage economic development. When a TIF district is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TIF district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment", are retained by the municipality. These funds are used to repay the costs of developing the TIF district. In general, once the TIF district development costs are repaid, the municipality terminates the TIF district. After termination, the property taxes on property in the former TIF district are shared with the overlying taxing jurisdictions in full in the same manner as non-TIF property taxes are shared.

A municipality must follow certain procedures when creating a TIF district, including establishing a TIF district project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adoption of a resolution creating the TIF district as of a certain date. When a municipality applies to the Department of Revenue (DOR) to form a TIF district, its application must contain findings that not less than 50% of the area in the proposed TIF district is blighted, in need of rehabilitation or conservation work, suitable for industrial sites, or suitable for mixed-use development. This information is used by DOR to identify the type of TIF district that is being created and, consequently, the allowable life span of the district. Depending on the type of TIF district and the date of creation, incremental levies for a TIF district may be collected for no more than 20, 23, or 27 years. In addition, a TIF district is generally prohibited from incurring project costs within 5 years of its statutory termination date.

CITY OF SHEBOYGAN

Current law includes an exception to the time limit regarding the collection of incremental levies for Sheboygan Tax Incremental Financing District #6 (Sheboygan TIF #6). This district may make project expenditures for up to 15 years after creation (through 2006), and the DOR may allocate tax increments for up to 16 years after the last expenditure is made (through 2022), meaning that the district could remain in existence for up to 31 years.

Under the bill, Sheboygan TIF #6 would be permitted to incur expenditures for project costs for up to 26 years after creation (through 2017). Although the language concerning the termination date is amended to read "31 years after the district is created", the termination date for the district would remain at 2022.

By extending the period in which allowable project expenditures may be made by an additional 11 years, the life span and the collection of tax increments of the district will likely be extended beyond what would occur under current law.

For the 2009/10 property tax year, the incremental value of Sheboygan TIF #6 was about \$112.0 million, which generated a tax increment of about \$2.61 million. Although the DOR does not have the data to project either values or tax rates for the area covered by this TIF district, it is reasonable to expect that, as a result of the additional project expenditure period, the district will generate incremental levies at the current level of \$2.61 million or higher for the remaining years of its existence.

CITY OF WAUKESHA

The bill creates an exception from the "findings test" for the City of Waukesha. The city attempted to create TIF District #18 in 2008, but its application to the DOR did not contain the required findings statement.

Under the bill, the Department of Revenue (DOR) shall calculate the base value of this district as if it had been created on January 1, 2008, as a blighted area district, and initially certify an incremental value for the district in 2010. As a blighted area TIF district, incremental levies for this district will be allocable for no more than 27 years.

The DOR has not yet determined a base value for this TIF district. It is therefore not possible to project how the incremental value and incremental levies of this district will be affected by the bill. To the extent that property values in the area to be included in Waukesha's TIF District #18 have increased since January 1, 2008, the base value on which future incremental values are calculated under the bill will be lower than under current law, leading to an increase in future years' incremental values compared with current law. On the other hand, if property values in the area to be included in Waukesha's TIF District #18 have decreased since January 1, 2008, the base value on which future incremental values are calculated under the bill will be higher than under current law, leading to a decrease in future years' incremental values compared with current law.

ADMINISTRATIVE COSTS

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

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$See text
Agency/Prepared By		Authorized Signature	Date
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