



2011 SENATE BILL 55

April 6, 2011 – Introduced by Senators HARSDORF, MOULTON, OLSEN and HOLPERIN, cosponsored by Representatives MURTHA, FIELDS, PETROWSKI, RIVARD, BROOKS and PETRYK. Referred to Committee on Economic Development and Veterans and Military Affairs.

1 **AN ACT** *to repeal* 66.1105 (4e) (a) 4. of the statutes; **relating to:** expanding the
2 number of tax incremental financing districts that may be designated as
3 distressed or severely distressed.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50 percent of the area to be included in the TID is blighted, in need of rehabilitation or conservation, suitable for industrial sites, or suitable for mixed-use development. Currently, towns and counties also have a limited ability to create a TID under certain circumstances. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID within specified time frames, preparation and adoption by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, approval of the city's or village's proposed TID by a joint review board that consists of members who represent the overlying taxation districts, and adoption of a resolution by the common council or village board that creates the TID as of a date provided in the resolution.

Also under current law, once a TID has been created, the Department of Revenue (DOR) calculates the "tax incremental base" value of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the

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value increment in excess of the base value is called a “tax increment.” The tax increment is placed in a special fund that may be used only to pay back the project costs of the TID. The costs of a TID, which are initially incurred by the creating city or village, include public works such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. DOR authorizes the allocation of the tax increments until the TID terminates or, generally, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created. Under certain circumstances, the life of the TID and the allocation period may be extended.

Under certain limited circumstances, a TID that has paid off all of its project costs but has not reached its mandatory termination date may become a donor TID, continue to receive tax increments, and forward those increments to a recipient TID created by the same city or village.

Currently, a city or village that acts before October 1, 2011, may designate a TID that was created before October 1, 2008, as a distressed or severely distressed TID (distressed TID) if a number of steps occur. The city or village must adopt a resolution finding that its project costs incurred on the TID exceed the revenues the city or village expects the TID to generate during its lifetime. The municipal clerk must send to DOR and the joint review board a copy of the resolution and the related financial data that the city or village used when it adopted its resolution.

Before the city or village may adopt the resolution concerning its project costs, the common council must hold a public hearing at which interested parties may express their views on the proposed distressed TID. Following receipt of the resolution and financial data, the joint review board must evaluate the information to determine whether designating the district as a distressed TID or allowing increment sharing will likely enhance the ability of the city or village to pay its project costs. The resolution adopted by the city or village may not take effect without joint review board approval of the designation. The board may approve or deny the designation. If the joint review board approves the designation, DOR must certify the designation and notify all overlying taxing jurisdictions of the certification.

A distressed TID may continue to exist and receive tax increments, as well as contributions from a donor TID, for up to 40 years after the distressed TID was created. A distressed TID may not amend its project plan to add any additional project costs, add territory, become a donor TID, make any expenditures after its original expenditure period ends, or expend funds outside of the TID’s boundaries. A distressed TID must terminate whenever all of its project costs have been paid off or 40 years after it was created, whichever occurs first. A donor TID must terminate upon the earlier of the distressed TID’s termination or 40 years after the donor TID is created.

This bill repeals the requirement that a TID must have been in existence for at least seven years before the city or village may adopt a resolution designating the TID as a distressed TID.

