



## Fiscal Estimate Narratives

DOR 2/15/2013

LRB Number	<b>13-0186/2</b>	Introduction Number	<b>AB-0004</b>	Estimate Type	<b>Original</b>
<b>Description</b> Modifying the requirements for sharing tax increments by tax incremental districts and limiting the participation of certain special purpose districts in tax incremental district financing					

### 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 to encourage economic development. A municipality must follow statutory procedures when creating a TIF, such as 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 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. If 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 for repayment of the costs of developing the TIF district. Once the development costs are repaid, the municipality usually 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.

In general, 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.

Under current law, there are several situations where a TIF district can share its incremental levies with another TIF district. In these situations, the donor TIF district and the recipient TIF district normally must have the same overlying tax jurisdictions. This means that they must be in the same municipality, county, technical college district, school district (K-12 district or K-8 and Union High districts), town sanitary district, metropolitan sewerage district, and inland lake protection and rehabilitation district (lake district).

Under the bill, for TIF districts that are created on or after the date the bill is enacted, no incremental levies would be generated by town sanitary district levies and lake district levies. As a result, tax incremental levies for TIF districts that include territory in a town sanitary district or a lake district that levies a property tax would be lower under the bill than under current law.

Based on current experience, the potential loss in incremental levies is expected to be small. Using preliminary data for the 2012/13 property tax year, 15 localities had TIF incremental levies generated by the tax levies of a town sanitary district or a lake district. The total incremental levy so generated was about \$76,000 (about 0.9% of the total incremental levy for these 15 places).

Under the bill, for TIF districts in existence on the date the bill is enacted, the requirement that the donor TIF and recipient TIF be in the same town sanitary district and/or lake district would no longer apply. To the extent that the any affected municipalities may choose to permit their TIF district to share incremental levies, incremental levies could be higher under the bill than under current law as the donor TIF district would be expected to remain open for a longer period.

Based on current experience, the potential increase in TIF incremental levies is expected to be small. Using preliminary data for the 2012/13 property tax year, there are currently two localities -- the part of the City of Menasha in Calumet County and the City of Oconomowoc -- where TIF levies are being generated by the levy of a town sanitary district or a lake district, two or more TIF districts are in existence, and these TIF districts have the potential to lie in different town sanitary districts or lake districts. The incremental levy attributable to the special district levies for these two places was about \$16,800 for the Calumet County portion of the City of Menasha and about \$45 for the City of Oconomowoc.

Administrative costs for the Department of Revenue can be absorbed within current budgetary authority.

## Long-Range Fiscal Implications