

Fiscal Estimate Narratives

DOR 9/9/2013

LRB Number	13-1758/2	Introduction Number	SB-252	Estimate Type	Original
Description Authorizing a city or village to require the Department of Revenue to redetermine the value of the tax incremental base of certain tax incremental districts					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

The tax incremental finance (TIF) law permits villages, cities, 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 becomes the district's "base value". In subsequent years, as the TIF district develops and its equalized value changes, if the current value is greater than the "base value" the difference between the two values is referred to as the "value increment". The property taxes levied by the municipality, county, school district, technical college district, and any special districts on the "value increment" are retained by the municipality and used to repay the costs of developing the TIF district. In general, once the TIF district's costs are repaid, the district is terminated. 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. Among these procedures are establishing a project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adopting on a resolution approving the creation of the TIF district. The Department of Revenue (DOR) must be notified of the creation of the TIF district by October 1 of the year the TIF district is formed. The notice to the DOR 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. For most TIF districts, the project plan can be amended by adding or subtracting territory up to 4 times during a TIF district's lifetime. Whenever a district's territory is amended, the DOR redetermines the "base value" of the district. A TIF district is also generally prohibited from incurring project costs within 5 years of its statutory termination date.

PROPOSED LAW

Under the bill, a village or city would be allowed to require the DOR to redetermine the "base value" of a TIF district up to 2 times in the district's life if the district is in a "decrement situation". A "decrement situation" would exist if the current value of a TIF district is at least 10% below the "base value" for 2 consecutive years. DOR would be allowed to impose a fee of \$1,000 on the municipality requesting the redetermination. (A \$1,000 fee is currently required for redeterminations involving the addition of or removal of territory from a TIF district, and a \$2,000 fee is required for redeterminations involving both an addition and removal of territory from a TIF district.)

Under the bill, the redetermination of a TIF district's "base value" would probably result in a reduction in that value. This would cause the district's "incremental value" in future years to be higher than under current law, potentially allowing the TIF district's costs to be repaid and the district to be terminated at an earlier date.

Based on 2012 and 2013 equalized value data, and assuming that multi-county TIF districts would be treated as a single unit for purposes of determining if a TIF district is in a "decrement situation", 62 TIF districts in 46 municipalities are currently in a "decrement situation". The DOR does not have information that would permit a reasonable estimate of the number of municipalities that would make the requests permitted under the bill.

ADMINISTRATIVE COSTS

The DOR would incur additional administrative costs under the bill. The fee imposed on municipalities that request the redeterminations permitted under bill is sufficient to offset DOR's costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 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			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$see text of fiscal note	
NET CHANGE IN REVENUE		\$see text of fiscal note	
Agency/Prepared By		Authorized Signature	Date
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