



State of Wisconsin
2019 - 2020 LEGISLATURE

LRB-2118/P2
MES&JK:ahe

DOA:.....Quinn, BB0415 - Tax increment value reporting error, property tax reimbursement (TID)

FOR 2019-2021 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; **relating to:** the budget.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

1. *Tax incremental financing districts, erroneous reporting of value increments*

Generally under current law, once a tax incremental district has been created, 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 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.

Under this bill, for property values reported in 2018, if a city or village erroneously reports a higher value increment for its TIDs by an aggregate amount of at least \$50 million, the city’s or village’s TIDs may transfer the excess tax increment collections resulting from this error to the city’s or village’s general fund to reimburse taxpayers for the higher property tax rates imposed on them due to this error. Before making any such transfers, the city or village must verify with DOR the amounts involved.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 66.1105 (6) (c) of the statutes is amended to read:

66.1105 (6) (c) Except for tax increments allocated under par. (d), (dm), (e), (f), or (g), or erroneous reporting of value increments as described in par. (h), all tax increments received with respect to a tax incremental district shall, upon receipt by the city treasurer, be deposited into a special fund for that district. The city treasurer may deposit additional moneys into such fund pursuant to an appropriation by the common council. No moneys may be paid out of such fund except to pay project costs with respect to that district, to reimburse the city for such payments, to pay project costs of a district under par. (d), (dm), (e), (f), or (g), to pay property tax reimbursements as described under par. (h), or to satisfy claims of holders of bonds or notes issued with respect to such district. Subject to par. (d), (dm), (e), (f), or (g), moneys paid out of the fund to pay project costs with respect to a district may be paid out before or after the district is terminated under sub. (7). Subject to any agreement with bondholders, moneys in the fund may be temporarily invested in the same manner as other city funds if any investment earnings are applied to reduce project costs. After all project costs and all bonds and notes with respect to the district have been paid or the payment thereof provided for, subject to any agreement with bondholders, if there remain in the fund any moneys that are not allocated under par. (d), (dm), (e), (f), or (g), they shall be paid over to the treasurer of each county, school district or other tax levying municipality or to the general fund of the city in the amounts that belong to each respectively, having due regard for that portion of the

moneys, if any, that represents tax increments not allocated to the city and that portion, if any, that represents voluntary deposits of the city into the fund.

SECTION 2. 66.1105 (6) (h) of the statutes is created to read:

66.1105 (6) (h) For property values reported to the department of revenue in 2018, if a city erroneously reports a higher value increment for its tax incremental districts in an aggregate amount of at least \$50 million, that city's tax incremental districts may transfer the excess tax increments collected resulting from this error directly to the city's general fund for the sole purpose of reimbursing taxpayers for the resulting erroneously higher property tax rates imposed on the taxpayers. A city that acts under this paragraph shall verify with the department of revenue the amounts being transferred and disbursed before those transactions may take place.

(END)