



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2003 Wisconsin Act 126 [2003 Senate Bill 305]	Revision of Tax Incremental Finance Laws
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

2003 Wisconsin Act 126 (“the Act”) contains a number of provisions revising state law relating to tax incremental financing. This Memo summarizes the more significant provisions of the Act. A more detailed description of the Act may be found in LM-2004-1, *Description of 2003 Wisconsin Act 126* (March 4, 2004), at http://www.legis.state.wi.us/lc/jlc04/LM_2004_1.pdf

Tax Incremental District Property Value Limits Increased. The Act provides that a city or village may create a tax incremental district (“TID”), or amend an existing TID to add territory to it, if the equalized value of the proposed TID plus the value increment of all existing TIDs in the city or village does not exceed 12% of the total equalized value of the city or village.

Modifications to Joint Review Boards. The Act allows a city or village to create a standing joint review board to review all proposed TIDs instead of creating a separate joint review board for each proposed TID. In addition, the Act contains provisions designed to increase the expertise of joint review board members on matters related to local government finance. The Act also provides for shared school board representation on the joint review board if a union high school district and an elementary district each have authority to impose property taxes within the TID.

Maximum Life of TIDs Modified. The Act modifies the maximum life span of TIDs created on or after October 1, 2004. The maximum life span of a TID created for industrial development or mixed-use development is 20 years after the TID is created, with a possible five-year expansion of the TID life span. The maximum life of the TID created to address problems of the blighted area or an area in need of rehabilitation is 27 years after the TID is created.

Amendments to TIDs. The Act authorizes a city or village to adopt up to four territorial amendments to a TID at any time during the life span of the TID. The Act repeals statutory language that allows expenditures for project costs incurred because of territorial amendments to be made for not more than three years after the date on which the amendment is approved.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents.

TID Project Expenditure Period Increased. For both existing and future TIDs, the Act increases the allowable project expenditure period to five years prior to the termination date of the TID. Under prior law, for TIDs created on or after September 30, 1995, all project expenditures were required to be made within seven years after the TID was created.

Restrictions on Creating TIDs on Land Annexed From a Town. The Act provides that a TID may not include annexed territory, if the territory was not within the boundaries of the city or village on January 1, 2004 unless three years have elapsed since the territory was annexed, a boundary agreement is entered into, or the city or village pledges to pay the town five years of property taxes on the value of the annexed land included in the TID.

Donating Tax Increments From One TID to Another. The Act allows tax increments to be donated from one TID to another under certain circumstances, including approval by the joint review board, the satisfaction of all current year debt service and project costs obligations, and that the recipient TID is a blighted area or an area in need of rehabilitation, or that the project costs in the recipient TID are used for low-cost housing or to remediate departmental contamination.

Provisions That Apply When Cash Grants Are Provided to Developers. The Act prohibits cities and villages from using tax increments to provide cash grants to owners, developers, or lessees of land within the TID unless the grant recipient has signed a development agreement with the city or village. In addition, if the city or village anticipates that the proposed TID project plan will include cash grants made to an owner, lessee, or developer of land, the public hearing notice required for the TID project plan must include a statement to that effect.

Restrictions on Use of Tax Increments to Pay for Residential Development Modified. The Act allows tax increments to be used to pay for project costs associated with newly platted residential development in a TID that is designated as a mixed-use TID under certain circumstances.

Substantial Compliance. The Act allows the Department of Revenue to approve a TID despite any error, irregularity, or informality in establishing the TID if the error, irregularity, or informality does not affect substantial justice.

Effective Date: The Act takes effect on October 1, 2004.

Prepared by: William Ford, Senior Staff Attorney

March 4, 2004