



**WISCONSIN LEGISLATIVE COUNCIL
ACT MEMO**

2013 Wisconsin Act 193 [2013 Senate Bill 338]	Tax Incremental Financing
---	----------------------------------

2013 Wisconsin Act 193 generally relates to tax incremental financing. Under Wisconsin law, a city or village may create a tax incremental district (TID) in part of its territory to foster development if several requirements are met, including if at least 50% 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. Towns and counties also have limited statutory authority to create a TID under certain circumstances.

Large-Town TIDs

The Act permits a town with a population of 3,500 or more, in which the equalized value of taxable property is at least \$500 million, to create a TID under the same law generally applicable to villages and cities (“a large-town TID”).

Large-Town TID Sewer Service and Annexation Requirements

The Act establishes certain requirements related to the creation of a large-town TID, which pertain to sewer service requirements and situations in which part of a TID is annexed by a city or village. The requirements provide as follows:

- The boundaries of a large-town TID must be within a sewer service area and sewer service must either be currently available or will be available before the use or operation of any improvements to property in the TID begins.
- If any part of a large-town TID is annexed by a city or village, any assets or liabilities associated with that annexed territory become the responsibility of the annexing city or village.
- If any part of a large-town TID is annexed by a city or village, the Department of Revenue (DOR) is required to redetermine the tax incremental base of the district.

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature’s Web site at: <http://www.legis.wisconsin.gov>.

Project Plan Approval Requirements

The Act provides that before a town board may approve a project plan for a large-town TID, the project plan must include at least one of three provisions. These provisions include requirements that at least 51% of the value of the public infrastructure improvements in the district be financed by a private entity, or that the town expects all project costs to be paid within 90% of the proposed TID's remaining life, or that expenditures may generally be made only within the first half of the proposed TID's remaining life.

Other Town-Created TIDs

Wisconsin law includes several provisions conferring on towns the statutory authority to establish TIDs, subject to conditions specified in those provisions. The Act provides that if a town creates a TID, other than a large-town TID, it may only take action with regard to that TID under the statutory authority it used to create the TID.

Donor TIDs

The Act specifies that upon approval by the joint review board, a TID may become a donor TID and provide increments to an environmental remediation tax incremental district (ERTID). In addition, the governing body of a political subdivision may adopt a resolution requesting that DOR allocate tax increments from an ERTID that has recovered all eligible costs to certain TIDs that are not ERTIDs.

TIDs in Recently Annexed Territory

The Act establishes an alternative method for creating a TID in territory that has been recently annexed from a town, subject to certain limitations and conditions. The limitations include the following requirements: (a) the TID must terminate in seven years or when its project costs are paid off, whichever comes first; (b) the TID may not share increments with another TID; and (c) the TID may make expenditures only until October 1, 2016. In addition, the bill provides that a city or village that creates such a TID is not required to follow the 12% test until 2016. The 12% test is a requirement that the equalized value of taxable property of the TID plus the value increment of all existing TIDs in the city or village should not exceed 12% of the total equalized value of taxable property in the city or village.

Property Tax Exemption for Biogas or Synthetic Gas Energy Systems

The Act provides that the property tax exemption for biogas or synthetic gas energy systems does not apply to property in existence on January 1, 2014, and located in a TID in effect on January 1, 2014.

Effective date and initial applicability: The Act took effect on April 6, 2014. The provision regarding the property tax exemption for biogas or synthetic gas energy systems first applies to property tax assessments as of January 1, 2014.

Prepared by: Brian Larson and Michael Queensland, Staff Attorneys

May 21, 2014

BL:MQ:jb;jal