



2003 ASSEMBLY BILL 319

May 8, 2003 - Introduced by Representatives WIECKERT, WEBER, HINES, SCHOOFF, LADWIG, BALOW, JESKEWITZ, F. LASEE, KRAWCZYK, BIES, OTT and SHILLING, cosponsored by Senators COWLES, SCHULTZ, ROESSLER and LEIBHAM. Referred to Committee on Ways and Means.

- 1 **AN ACT** *to renumber and amend* 66.1105 (6) (am) 1.; and *to create* 66.1105 (6)
2 (am) 1. c. of the statutes; **relating to:** increasing the expenditure period for
3 certain tax incremental financing districts.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing (TIF) program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50% of the area to be included in the TID is blighted, in need of rehabilitation, or suitable for industrial sites. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID within specified time frames, preparation and adoption by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, and adoption of a resolution by the common council or village board that creates the district as of a date provided in the resolution. Another step that must be taken before a TID may be created is the creation by the city or village of a joint review board to review the proposal. The joint review board, which is made up of representatives of the overlying taxing jurisdictions of the proposed TID, must approve the project plan within specified time frames or the TID may not be created. If an existing TID project plan is amended by a planning commission, all of these steps are also required.

Once these steps are accomplished, the city or village clerk is required to complete certain forms and an application and submit the documents to the

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Department of Revenue (DOR) on or before December 31 of the year in which the TID is created. Upon receipt of the application, DOR is required to certify the full aggregate value of the taxable property in the city or village, which constitutes the tax incremental base of the TID.

Also under current law, once a TID has been created, DOR calculates the “tax increment 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. The costs of a TID, which are initially incurred by the creating city or village, include public works such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. DOR authorizes the allocation of the tax increments until the TID terminates or 23 years, or 27 years in certain cases, after the TID is created, whichever is sooner. TIDs are required to terminate, under current law and with one exception, once these costs are paid back, 16 years, or 20 years in certain cases, after the last expenditure identified in the project plan is made or when the creating city or village dissolves the TID, whichever occurs first. Under the exception, which is limited to certain circumstances, after a TID pays off its project costs, but not later the date on which it must otherwise terminate, the planning commission may allocate positive tax increments generated by the TID (the “donor” TID) to another TID that has been created by the planning commission.

Under this bill, for a TID that is created on or after the effective date of the bill, the bill increases from seven years to ten years the period during which expenditures related to the TID may be made by the city or village after the TID’s creation. Currently, the ten year period applies only to TIDs created before October 1, 1995, and the seven year period applies only to TIDs created after September 30, 1995. The bill first applies to TIDs that are created on October 1, 2004, and the bill takes effect on October 1, 2004.

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:

- 1 **SECTION 1.** 66.1105 (6) (am) 1. of the statutes is renumbered 66.1105 (6) (am)
- 2 1. a. and amended to read:
- 3 66.1105 **(6)** (am) 1. a. For a tax incremental district that is created after
- 4 September 30, 1995, and before the effective date of this subd. 1. a. [revisor inserts

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1 date, no expenditure may be made later than 7 years after the tax incremental
2 district is created, ~~and for~~.

3 b. For a tax incremental district that is created before October 1, 1995, no
4 expenditure may be made later than 10 years after the tax incremental district is
5 created, except that, for a tax incremental district that is created before October 1,
6 1995, and which receives tax increments under par. (d), no expenditure may be made
7 later than 12 years after the tax incremental district is created.

8 **SECTION 2.** 66.1105 (6) (am) 1. c. of the statutes is created to read:

9 66.1105 (6) (am) 1. c. For a tax incremental district that is created on or after
10 the effective date of this subd. 1. c. [revisor inserts date], all expenditures shall
11 be completed no later than 10 years after the tax incremental district is created.

12 **SECTION 3. Initial applicability.**

13 (1) This act first applies to a tax incremental district that is created on October
14 1, 2004.

15 **SECTION 4. Effective date.**

16 (1) This act takes effect on October 1, 2004.

17 (END)