

2003 SENATE BILL 306

November 5, 2003 – Introduced by Senators STEPP, KANAVAS, LEIBHAM, DARLING, JAUCH, BROWN, ROESSLER, A. LASEE, SCHULTZ, KEDZIE, S. FITZGERALD, WIRCH, HANSEN, ZIEN and M. MEYER, cosponsored by Representatives M. LEHMAN, WIECKERT, ALBERS, NISCHKE, BALOW, OLSEN, FREESE, BOYLE, KRAWCZYK, HUBER, KREIBICH, HEBL, MUSSER, LOEFFELHOLZ, STEINBRINK, GUNDERSON, HAHN, VAN AKKEREN, F. LASEE, VAN ROY, LADWIG, PETROWSKI, TOWNSEND, OTT, HUNDERTMARK, STONE, LOTHIAN, VRAKAS, MCCORMICK, UNDERHEIM, WEBER, HINES, GOTTLIEB, J. WOOD, JESKEWITZ and GIELOW. Referred to Committee on Economic Development, Job Creation and Housing.

1 **AN ACT** *to renumber and amend* 66.1105 (4m) (b) 3.; *to amend* 66.1105 (5) (a);
 2 and *to create* 20.566 (1) (go), 66.1105 (4m) (b) 3. a. and b., 66.1105 (4m) (b) 4.
 3 and 73.03 (57) of the statutes; **relating to:** making changes to the Tax
 4 Incremental Financing program, authorizing the Department of Revenue to
 5 impose a fee to determine or redetermine the tax incremental base of a tax
 6 incremental financing district, and requiring the department to prepare a tax
 7 incremental financing manual.

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 percent 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.

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 determine the full aggregate value of the taxable property, and of certain city or village owned property, that lies within the TID.

Once the aggregate value is determined, DOR certifies the “tax incremental base” of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If 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 is called a “tax increment.” The tax increment is placed in a special fund that may only be used to pay back the project costs of the TID. The project 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. Under current law, TIDs are required to terminate, 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 than 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.

If an existing TID project plan is amended by a planning commission, all of the steps described above are also required, and DOR must redetermine the TID’s tax incremental base.

Under this bill, DOR is authorized to impose a fee of \$1,000 on a city or village to determine or redetermine the tax incremental base of a TID. Revenues collected from such a fee are to be used by DOR to provide staff and administrative services to TIDs. The bill also requires DOR to prepare and update a TIF manual.

The bill provides that, before a joint review board submits its decision on a TIF proposal submitted by a city or village, a majority of the members of the board may request DOR to review the objective facts contained in the documents submitted to the board by the city or village. DOR must investigate the specific fact or item that the members believe is incomplete or inaccurate. If DOR finds that the proposal contains factual inaccuracies or does not comply with other statutory requirements, DOR must return the TIF proposal to the city or village for correction and resubmittal. However, the city or village is not required to correct or resubmit its proposal.

Also under the bill, the joint review board must submit its decision on a TIF proposal to a city or village no later than seven days after the board acts on and reviews the proposal, except that if the board requests a DOR review, the board must submit its decision not later than 10 working days after receiving DOR’s response or, if the city or village resubmits its proposal within 10 days, not later than 10 days after receiving a resubmitted proposal.

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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.** 20.566 (1) (go) of the statutes is created to read:

2 20.566 **(1)** (go) *Administration of tax incremental financing program.* All
3 moneys received from the fees imposed under s. 66.1105 (5) (a) to pay the costs of the
4 department of revenue in providing staff and administrative services associated
5 with tax incremental districts under s. 66.1105.

6 **SECTION 2.** 66.1105 (4m) (b) 3. of the statutes is renumbered 66.1105 (4m) (b)
7 3. (intro.) and amended to read:

8 66.1105 **(4m)** (b) 3. (intro.) The board shall submit its decision to the city no
9 later than 7 days after the board acts on and reviews the items in subd. 2., except
10 that, if the board requests a department of revenue review under subd. 4., the board
11 shall do one of the following:

12 **SECTION 3.** 66.1105 (4m) (b) 3. a. and b. of the statutes are created to read:

13 66.1105 **(4m)** (b) 3. a. Submit its decision to the city no later than 10 working
14 days after receiving the department's written response.

15 b. If the city resubmits its proposal under subd. 4. no later than 10 working days
16 after the board receives the department's written response, submit its decision to the
17 city no later than 10 working days after receiving the city's resubmitted proposal.

18 **SECTION 4.** 66.1105 (4m) (b) 4. of the statutes is created to read:

19 66.1105 **(4m)** (b) 4. Before the joint review board submits its decision under
20 subd. 3., a majority of the members of the board may request that the department
21 of revenue review the objective facts contained in any of the documents listed in subd.

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1 1. to determine whether the information submitted to the board complies with this
2 section or whether any of the information contains a factual inaccuracy. The request
3 must be in writing and must specify which particular objective fact or item the
4 members believe is incomplete or inaccurate. Not later than 10 working days after
5 receiving a request that complies with the requirements of this subdivision, the
6 department of revenue shall investigate the issues raised in the request and shall
7 send its written response to the board. If the department of revenue determines that
8 the information in the proposal does not comply with this section or contains a factual
9 inaccuracy, the department shall return the proposal to the city. The board shall
10 request, but may not require, that the city resolve the problems in its proposal and
11 resubmit the proposal to the board. If the city resubmits its proposal, the board shall
12 review the resubmitted proposal and vote to approve or deny the proposal as
13 specified in this paragraph.

14 **SECTION 5.** 66.1105 (5) (a) of the statutes is amended to read:

15 66.1105 (5) (a) Upon the creation of a tax incremental district or upon adoption
16 of any amendment subject to par. (c), its tax incremental base shall be determined
17 as soon as reasonably possible. The department of revenue may impose a fee of
18 \$1,000 on a city to determine or redetermine the tax incremental base of a tax
19 incremental district under this subsection.

20 **SECTION 6.** 73.03 (57) of the statutes is created to read:

21 73.03 (57) To create, and update, a manual on the tax incremental finance
22 program under s. 66.1105. The manual shall contain the rules relating to the
23 program, common problems faced by cities and villages under the program, possible
24 side effects of the use of tax incremental financing, and any other information the

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1 department determines is appropriate. The department may consult with, and
2 solicit the views of, any interested person while preparing or updating the manual.

3 **SECTION 7. Nonstatutory provisions.**

4 (1) The authorized FTE positions for the department of revenue are increased
5 by 1.0 PR position to be funded from the appropriation under section 20.566 (1) (go)
6 of the statutes, as created by this act, for the purpose of performing services related
7 to tax incremental districts.

8 **SECTION 8. Effective date.**

9 (1) This act takes effect on January 1, 2004, or on the day after publication,
10 whichever is later.

11 (END)