

2003 DRAFTING REQUEST

Assembly Amendment (AA-AB437)

Received: **09/29/2003**

Received By: **mshovers**

Wanted: **As time permits**

Identical to LRB:

For: **Gabe Loeffelholz (608) 266-1170**

By/Representing: **Linda**

This file may be shown to any legislator: **NO**

Drafter: **mshovers**

May Contact:

Addl. Drafters:

Subject: **Munis - tax incrmntal financing**

Extra Copies:

Submit via email: **YES**

Requester's email: **Rep.Loeffelholz@legis.state.wi.us**

Carbon copy (CC:) to:

Pre Topic:

No specific pre topic given

Topic:

Granting towns limited authority to create tax incremental financing (TIF) districts

Instructions:

See Attached. Address DOR's concerns from tech. memo

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/1	mshovers 09/29/2003	jdyer 09/30/2003 jdyer 09/30/2003	rschluet 09/30/2003	_____	sbasford 09/30/2003	sbasford 09/30/2003	

FE Sent For:

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/1	mshovers	1 9/29 jld					

11 MES 9/29/03

FE Sent For:

[Handwritten signature]
9-30-03
<END>

LKB

MEMORANDUM

August 14, 2003

TO: Marc Shovers
Legislative Reference Bureau

FROM: Dennis Collier
Department of Revenue

SUBJECT: Technical Memorandum on AB 437 - Allows Towns Limited Use of Tax Incremental Financing Authority

The department has several concerns related to the bill.

1. The bill allows towns to exercise city powers under tax incremental finance (TIF) and specifies that a town that exercises such power is subject to the same duties as the common council of cities and villages in exercising TIF authority. It is assumed that this implies that all the required procedures, findings, and limitations required under TIF law apply to town-created TIF districts (TIDs). On the other hand, town-created TIDs are limited to projects related to tourism, agriculture and forestry as well as incidental retail and residential projects. Such limited use of TIF may conflict with certain provision under TIF law. In particular, it is unclear whether a TID created for a project related to tourism, agriculture, or forestry could meet the required finding [under s. 66.1105(4)(gm)4.a.] that not less than 50% of the area within the TID is either blighted, in need of rehabilitation or is suitable for industrial use. Also, it is unclear whether the limit on vacant land not to exceed 25% of the total TID area [under s. 66.1105(4)(gm)1.] could be met by many town TIDs to the extent that the development in a town would likely occur on farmland or undeveloped land.
2. There appears an inconsistency between current TIF law that excludes the cost for newly platted residential development as an eligible project cost [s. 66.1105(2)(f)3.] and the bill's provision that allows town-created TIDs to include residential development that is necessary to a tourism, agricultural or forestry project. It is unclear what costs associated with the residential development in a town TID would be eligible project costs. The author may wish to consider amendments to s. 66.1105 that create exceptions related to these limitations for TIDs created under s. 60.23(32).
3. The bill makes no provision for a town-created TID in the case of annexation. Since TIDs must be within the boundaries of a single taxation district, it is unclear how a town-created TID would be treated if land that was annexed by a village or city included a portion or all of the town TID. The author may wish to consider language that authorizes the department to redetermine the tax base if land that is annexed includes a portion of a town-created TID. This would ensure that the town-created TID would only include land within the town boundaries. Further, the author may wish to consider including a provision that directs a city or village that annexes territory that is part of a town-created TID to pay a portion of the eligible costs that are attributable to the annexed territory, as negotiated between the town and annexing city or village.

The bill does not specify an effective date. The author may wish to consider an October 1, 2003 effective date. This would ensure consistency regarding the creation date and base

Costs that the town is liable for.

that would have been paid by the town because of the annexed territory

year determination of newly-created town TIDs.

- 5. Finally, the proposed legislation makes no provision for the funding of the costs involved in administering the activities required. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	<u>Chapter 20</u>	<u>Amount</u>	<u>FTE</u>
one-time	s. 20.566 (2) (a)	\$ 47,500	
annual	s. 20.566 (2) (a)	\$ 347,000	5

If you have any questions regarding this technical memorandum, please contact Rebecca Boldt at 266-6785.

the



State of Wisconsin
2003 - 2004 LEGISLATURE

LRBa1026/1

MES:m:...

Handwritten initials: Jd RNR

ASSEMBLY AMENDMENT,
TO 2003 ASSEMBLY BILL 437

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Handwritten in a circle: SOON

1 At the locations indicated, amend the bill as follows:

2 1. Page 3, line 4: after that line insert:

3 "SECTION 1j. [✓]66.1105 (2) (f) 3. [✓]of the statutes is amended to read:

4 66.1105 (2) (f) 3. Notwithstanding subd. 1. [✓]and except as provided in s. 60.23
5 (32) (b), project costs may not include any expenditures made or estimated to be made
6 or monetary obligations incurred or estimated to be incurred by the city for newly
7 platted residential development for any tax incremental district for which a project
8 plan is approved after September 30, 1995.

9 SECTION 1p. [✓]66.1105 (5) (cg) [✓]of the statutes is created to read:

10 *Handwritten scribble*
11 that is created under s. [✓]60.23 (32) [✓]the tax incremental base of the district shall be
12 redetermined, by subtracting from the tax incremental base the value of the taxable
13 *Handwritten scribble* property that is annexed from the existing district, as of the January 1 ^{plain}next ^{plain}

1 preceding the effective date of the annexation if the annexation becomes effective
 2 between January 2 and September 30, as of the next subsequent January 1 if the
 3 annexation becomes effective between October 1 and December 31 and if the effective
 4 date of the annexation is January 1 of any year, the redetermination shall be made
 5 on that date. The tax incremental base as redetermined under this paragraph is
 6 effective for the purposes of this section only if it less than the original tax
 7 incremental base determined under par. (b).

History: 1975 c. 105, 199, 311; 1977 c. 29 ss. 724m, 725, 1646 (1), (3); 1977 c. 418; 1979 c. 221, 343; 1979 c. 361 s. 112; 1981 c. 20, 317; 1983 a. 27, 31, 207, 320, 405, 538; 1985 a. 29, 39, 285; 1987 a. 27, 186, 395; 1989 a. 31, 336; 1993 a. 293, 337, 399; 1995 a. 27 ss. 3330c to 3337, 9116 (5), 9130 (4); 1995 a. 201, 225, 227, 335; 1997 a. 3, 27, 237, 252; 1999 a. 9; 1999 a. 150 ss. 457 to 472; Stats. 1999 s. 66.1105; 2001 a. 5, 11, 16, 104; 2003 a. 34, 46; s. 13.93 (1) (b).

SECTION 1t. 66.1105 (12) of the statutes is created to read:

9 **66.1105 (12)** TREATMENT OF TOWN DISTRICTS, ANNEXATION. (a) If a city annexes
 10 town territory that contains part of a tax incremental district that is created under
 11 s. 60.23 (32), the city and the town shall negotiate an agreement under which the city
 12 agrees to reimburse the town for the district-related costs for which the town is liable
 13 and which would have been paid for by tax increments allocated under sub. (6).

14 (b) If a city annexes town territory that contains an entire tax incremental
 15 district that is created under s. 60.23 (32), the town shall dissolve the district and the
 16 city and town shall negotiate an agreement under which the city agrees to assume
 17 liability for all or part of the district's outstanding project costs or other liabilities
 18 that are related to the district."

19 **2.** Page 3, line 23: after that line insert:

20 **"SECTION 3m. Effective date.**

21 (1) This act takes effect on October 1, 2003."

22 (END)

d-note
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DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBa1026/1dn

MES^m:^x:...

JLD

Representative Loeffelholz:

* I believe that this amendment addresses the concerns raised by DOR in its August 14, 2003, technical memo. You may wish to have DOR review the amendment. With regard to the first point raised in DOR's memo, however, I don't believe that there are any "conflicts" that need to be addressed by an amendment. I do agree with DOR that it may be difficult for a town TID to meet some of the requirements in s. 66.1105, but I don't believe that any conflicts exist between the bill and s. 66.1105.

Marc E. Shovers
Senior Legislative Attorney
Phone: (608) 266-0129
E-mail: marc.shovers@legis.state.wi.us

DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRBa1026/1dn
MES:jld:rs

September 30, 2003

Representative Loeffelholz:

I believe that this amendment addresses the concerns raised by DOR in its August 14, 2003, technical memo. You may wish to have DOR review the amendment. With regard to the first point raised in DOR's memo, however, I don't believe that there are any "conflicts" that need to be addressed by an amendment. I do agree with DOR that it may be difficult for a town TID to meet some of the requirements in s. 66.1105, but I don't believe that any conflicts exist between the bill and s. 66.1105.

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