

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-2974/1		Introduction Number AB-457	
Description The method by which the Department of Revenue makes certain calculations regarding tax incremental financing district number 4 in the village of Union			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
Local:			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
Fund Sources Affected		Affected Ch. 20 Appropriations	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By		Authorized Signature	
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		Date	
		7/16/2007	

Fiscal Estimate Narratives

DOR 7/17/2007

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Description The method by which the Department of Revenue makes certain calculations regarding tax incremental financing district number 4 in the village of Union					

Assumptions Used in Arriving at Fiscal Estimate

Tax Incremental Finance (TIF) is a financing tool available under current law to cities, villages, and, to a limited extent, towns to encourage economic development that would not occur without some public assistance. When a TIF district is created, the current property value in the district is set as the "base value." Improvements and development that occur after the TIF district is created lead to increases in its value over the base value (the increase is referred to as the increment value). The property taxes levied by all local taxing jurisdictions (i.e. the municipality, county, school district, technical college and any special districts) on the value increment are used to pay for the project costs needed for the development to occur. The tax on the base value continues to go to the taxing jurisdictions that levy the tax. After a TIF district terminates, the taxes paid by property owners within the district – on both the base value and value increments – are shared by all taxing jurisdictions.

Under current law, a city or village must follow certain procedures within certain time frames to create a TIF, including holding public hearings, obtaining approval of a proposed plan by the local legislative body, and adoption of a resolution creating the TIF district as of a certain date. There is no limit on the number of TIF districts that a municipality may create. However, under current law, a city or village can create a new district only if it satisfies a 12% capacity test. Under the test, the property value of the proposed district plus the increment value of all existing districts may not exceed 12% of the total property value of the municipality.

The Village of Union Grove attempted to create TIF district number 4 on February 27, 2006, but failed to meet the 12% capacity test. This bill specifies that, notwithstanding the requirements of the 12% capacity test, the Department would be required to treat the TIF district as having met the 12% test for 2006, but could not certify increment value before 2008.

Information is not available at this time to determine the value increment that would occur over the life of the district. As such, an estimate of the tax base that would be unavailable to the overlying taxing jurisdictions during the life of the TIF district is not available.

The Department of Revenue's administrative costs under the bill are expected to be absorbed within existing budget authority.

Long-Range Fiscal Implications