

Fiscal Estimate Narratives
DOR 1/12/2010

LRB Number	09-3849/1	Introduction Number	AB-0611	Estimate Type	Original
Description Changing certain administrative procedures under the tax incremental financing program					

Assumptions Used in Arriving at Fiscal Estimate

There are currently three generic types of tax incremental financing (TIF) districts. Under sec. 60.85, towns are permitted to create TIF districts under limited circumstances. Under sec. 66.1105, villages and cities have broad powers to form TIF districts. Under sec. 66.1106, towns, villages, cities, or counties are permitted to create environmental remediation TIF districts. Under current law, for any TIF district that has not been closed and for which incremental levies are therefore still being collected, the sponsoring municipality or county must pay an annual administrative fee of \$150 for each existing TIF district to the Department of Revenue (DOR) on or before May 15. Under the bill, if this fee is not paid by the due date, DOR may not authorize the collection of a tax increment for the affected TIF districts.

Under current law, a municipality may not create a new TIF district if this would violate the "12% test". Under the "12% test", the equalized value of the taxable property in a proposed TIF district plus the incremental value of all existing TIF districts may not exceed 12% of the municipality's total equalized value. The bill makes two changes to the "12% test". First, any parcel in the proposed TIF district that is also located in an existing TIF district must be excluded from the "12% test" calculation. Second, by December 31 of the year the DOR receives a complete application for a new TIF district, the DOR must notify a municipality if the proposed TIF district violates the "12% test". Upon receiving this notice, the municipality must (1) rescind approval of the TIF district's project plan, or (2) submit to the DOR, not later than March 15 of the year after receiving the notice, a copy of a resolution adopted by the county board in which the proposed TIF district is located that it accepts the project plan despite the violation of the "12% test".

Under current law, it is not necessary to publish notice of meetings of a TIF district's joint review board. Under the bill, notice of all meetings of a TIF district's joint review board must be published as a class 2 notice under Chapter 985.

Under current law, all materials concerning the creation of a new TIF district or the amendment of an existing TIF district must be submitted to the DOR on or before December 31 of the year the district is created or amended. Under the bill, this deadline is changed to October 31 of the year the district is created or amended.

The changes under the bill are primarily administrative in nature. The penalty for non-payment of the annual administrative fee is likely to increase compliance with payment of the fee, leading to a small increase in state program revenues. The new procedure provided to municipalities that are in violation of the "12% test" may result in more TIF districts being created than under current law. The requirement that notice of meetings of joint review boards be published will lead to a small increase in local costs. The change in the filing deadline from December 31 to October 31 deadline for the submission of application materials to the DOR is expected to have no significant costs.

The bill has no effect on DOR costs.

Long-Range Fiscal Implications