



## Fiscal Estimate Narratives

DOR 4/21/2010

LRB Number	<b>09-4646/1</b>	Introduction Number	<b>AB-0963</b>	Estimate Type	<b>Original</b>
<b>Description</b> Reducing the tax incremental base of tax incremental district number 3 in the city of Durand					

### Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits cities, villages, and, to a limited extent, towns to finance certain public improvements needed to encourage economic development. When a TIF district is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TIF district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment", are retained by the municipality. These funds are used to repay the costs of developing the TIF district. In general, once the TIF district development costs are repaid, the municipality terminates the TIF district. After termination, the property taxes on property in the former TIF district are shared with the overlying taxing jurisdictions in full in the same manner as non-TIF property taxes are shared.

A municipality must follow certain procedures when creating a TIF district, including establishing a TIF district project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adoption of a resolution creating the TIF district as of a certain date. When a municipality applies to the Department of Revenue (DOR) to form a TIF district, its application must contain findings that not less than 50% of the area in the proposed TIF district is blighted, in need of rehabilitation or conservation work, suitable for industrial sites, or suitable for mixed-use development. This information is used by DOR to identify the type of TIF district that is being created and, consequently, the allowable life span of the district. Depending on the type of TIF district and the date of creation, incremental levies for a TIF district may be collected for no more than 20, 23, or 27 years. In addition, a TIF district is generally prohibited from incurring project costs within 5 years of its statutory termination date.

### CITY OF DURAND

Under the bill, the Department of Revenue would be required to reduce the "base value" used to calculate the "value increment" for Durand TIF #3 by \$246,700, to reflect the value of property destroyed in a fire in January 2010. This TIF district was created in 2007 for the elimination of blight. The district therefore can be in existence for 27 years. Based on tax rates in effect for the 2009/10 property tax year, the reduction in the "base value" for this TIF district would generate about \$6,000 in additional incremental levies for remaining years of the district's existence. (The district generated no incremental levy for the 2009/10 tax year because the current value of taxable property in the district was less than the district's "base value".)

### ADMINISTRATIVE COSTS

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

### Long-Range Fiscal Implications