

Fiscal Estimate Narratives

DOR 4/3/2009

LRB Number	09-2479/1	Introduction Number	SB-144	Estimate Type	Original
Description Authorizing sharing of tax increments by certain environmental remediation tax incremental districts					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a city, village, town, or county may create an environmental remediation tax incremental financing (ERTID) district to recover the costs of remediating contaminated property through property taxes levied on increased property value in the district. Similar to regular tax incremental financing districts, a municipality or county must follow certain procedures when creating a ERTID, such as passing a resolution to create the district and submitting the resolution to a joint board of review for approval. In addition, before the Department of Revenue (DOR) may certify a base value for an ERTID, the entity desiring to create the district must submit the following to DOR: (1) a statement that the entity has incurred eligible costs, together with a proposed remediation plan approved by the Department of Natural Resources (DNR) which includes estimates for future eligible costs, a schedule for the design and implementation of the remediation, and a certification from the DNR that they have approved the site investigation report for the affected property; (2) a statement that all taxation jurisdictions which can levy taxes within the proposed ERTID have been notified of the proposal to create the ERTID; and (3) a statement that the entity creating the ERTID has attempted to recover the costs of the environmental remediation from the person(s) responsible for the environmental pollution that is being remediated.

Once the required material has been submitted to DOR, the equalized value of the taxable property at that time becomes the "base value" for the ERTID. Over time, as the ERTID 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 entity that created the ERTID to pay the eligible costs of remediating the environmental pollution in the ERTID.

Under current law, the life span of an ERTID is the lesser of the number of years needed to generate sufficient tax increments to pay all eligible cost or 23 years. In addition, no eligible costs may be incurred later than 15 years after DOR certifies the base value of the ERTID.

The bill permits a entity that created two or more ERTIDs to have one or more of them become "donor" ERTIDs. This would be accomplished by the adoption of a resolution that requests DOR to allocate positive tax increments from an ERTID that has recovered all its eligible costs to another ERTID created by the entity that has not recovered all its eligible costs. Tax increments from the donor district would be allowed to continue until the earlier of (a) the recovery of all eligible costs of the recipient district, or (b) 23 years after the creation of the donor district.

DOR is unable to determine the extent to which municipalities and counties may choose to use this provision. Therefore, DOR is unable to estimate how the bill may affect the incremental values and levies of the affected ERTIDs.

DOR administrative costs can be absorbed within existing budgetary authority.

Long-Range Fiscal Implications