



## Fiscal Estimate Narratives

DOR 5/11/2011

LRB Number	11-1469/1	Introduction Number	AB-0105	Estimate Type	Original
<b>Description</b> Creating an exception to certain requirements in the creation of or amendment to a tax incremental financing district in the village of Pleasant Prairie					

### 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, 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. Although there is no limit on the number of TIF districts a municipality may create, a new TIF district may not be created if such creation would violate the "12% test". Under the general "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. Under an exception to the "12% test", a municipality may simultaneously create a new TIF district and remove territory from an existing TIF district if the municipality can demonstrate to the Department of Revenue (DOR) that both actions will not cause the municipality to exceed the "12% test".

#### VILLAGE OF PLEASANT PRAIRIE

The bill creates an exception from the "12% test" for the Village of Pleasant Prairie. Under the exception, when the "12% test" is performed for either creating a new TIF district or adding territory to an existing TIF district, instead of using the incremental value for Tax Incremental District Number 2, the test will use 1.33 times the base value of this TIF district.

Based on 2010 equalized values, for the Village of Pleasant Prairie TIF District Number Two, the "base value" was \$54,504,700, the current value was \$395,296,400, and the "incremental value" was \$340,791,700. The total "incremental value" for all TIF districts in the Village was \$340,852,700. The total equalized value for the Village was \$2,651,068,300. The percent of the total value represented by TIF "incremental value" was about 12.86%. Since this exceeds the "12% test", under current law, the Village may not create any new TIF districts or add territory to an existing TIF district.

Under the bill, with regard to the Village of Pleasant Prairie TIF District Number Two, the value for purposes of the "12% test" would be 1.33 times the "base value", or \$72,491,251 ( $\$54,504,700 \times 1.33$ ), and the total "incremental value" of all TIF districts would be \$72,552,251. Compared to the total equalized value for the village of \$2,651,068,300, under the bill the percent of the total value represented by TIF "incremental value" would be about 2.74%. Since this is under the "12% test", the Village of Pleasant Prairie would be permitted to create new TIF districts or add territory to their existing TIF districts.

Under current law, the total incremental levy in the Village of Pleasant Prairie for all TIF districts for the 2010/11 property tax year was about \$6.909 million. To the extent that the Village takes advantage of the additional authority to create new TIF districts or add territory to an existing TIF district, the total TIF incremental levy will be higher than under current law. Since the DOR does not have information which would permit a reasonable estimate of the number of new TIF districts that could be created under the bill or the potential value increment these districts could contain, it is not possible to reasonably estimate the

additional TIF incremental levies this bill could engender.

#### 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**