

Fiscal Estimate Narratives

DOR 10/25/2011

LRB Number	11-3135/1	Introduction Number	AB-0321	Estimate Type	Original
Description Exception to local levy limits for the village of Shorewood					

Assumptions Used in Arriving at Fiscal Estimate

On August 15, 2011, the Department of Revenue (DOR) certified the total equalized value for the Village of Shorewood and the total positive incremental value of the Village's tax incremental financing (TIF) districts as follows:

Total equalized value = \$ 1,419,303,600

Positive TIF value = \$ 112,136,200

TIF out value = \$ 1,307,167,400

The Village discovered an error in the data provided to DOR which caused the positive incremental value of its TIF districts to be overstated by \$73,493,300. The correct values for 2011 should have been as follows:

Total equalized value = \$ 1,419,303,600

Positive TIF value = \$ 38,642,900

TIF out value = \$ 1,380,660,700

Equalized values are used to allocate property taxes for multi-municipal tax levying governmental units to their underlying municipalities. For the Village of Shorewood, these entities are the State of Wisconsin (state forestation tax), Milwaukee County, Milwaukee Metropolitan Sewerage District, the Milwaukee Area Technical College, and the Whitefish Bay School District.

Since the tax levy for the State of Wisconsin is allocated on the total equalized value, it is not affected by the error. However, since the property tax levy for the other multiple-municipal entities are allocated on the "TIF out" value, the error will result in the amount of the property tax levy that is allocated by these entities to the Village of Shorewood to be understated.

While the levy for the Village of Shorewood and the Shorewood School District will not be affected by the error since they are single municipal entities (their levies are allocated to the Village only), the TIF incremental levy will be significantly overstated since the value on which it will be collected will be overstated by \$73,493,300. In addition, since the "TIF out" value of the Village has been understated by the error, the Village and Shorewood School District tax rates would need to be higher than otherwise would occur.

Under current law, the usual procedure in this type of situation would be the DOR to correct the incremental value of Shorewood TIF #1 by reducing this value as certified on August 15, 2012 (and future years, if needed) by \$73,493,300. In effect, the intent is that the total incremental value for the two years (or additional years, if needed) is correct. Over time, this will allow total levies in the Village to be correct.

Based on projected levies for the 2011/12 property tax year, it is estimated that the effect of the overstatement of the TIF incremental value will be as follows: (1) a decrease in tax levies allocated to the Village of Shorewood of about \$600,000; and (2) an increase in the TIF incremental tax levy of about \$2,150,000. Thus, the total property tax in the Village is expected to increase by a net total of about \$1,550,000.

The Village of Shorewood has expressed interest in reducing its own-purpose property tax levy for 2011/12 to negate the effect of the TIF incremental value overstatement, and to increase its own-purpose property tax levy for 2012/13 (and future years' levies if needed) to compensate for any under levy by the Village in 2011/12. Since the prior year actual tax levy is used as the basis for calculating a municipality's levy limit, the Village of Shorewood needs to have an exception to the levy limit so that they are not penalized for their proposed actions. The bill creates this needed exception.

The Department of Revenue's administrative costs related to the bill can be absorbed within current resources.

Long-Range Fiscal Implications