



## Fiscal Estimate Narratives

DOR 1/11/2012

LRB Number	11-3610/1	Introduction Number	AB-0456	Estimate Type	Original
<b>Description</b> Extending the expenditure period for a tax incremental district in the village of Denmark					

### 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 to encourage economic development. A municipality must follow statutory procedures when creating a TIF, such as 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 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. If 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 for repayment of the costs of developing the TIF district. Once the development costs are repaid, the municipality usually 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.

In general, 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.

The bill creates an exception to the time limits for incurring project costs for the Village of Denmark's Tax Incremental Financing District #1 (Denmark TIF #1). This district was formed in 1990. The district currently has a maximum life span of 27 years, meaning that its termination deadline is in 2017 and that project costs may not be incurred after 2012. Under the bill, the district would be granted an additional 2 years to incur project costs, meaning that project costs could be incurred in 2013 and 2014.

By extending the period in which allowable project costs may be incurred, the district may terminate later than would happen under current law (although the maximum lifespan of the district is unchanged by the bill). For the 2011/12 property tax year, the incremental value of Denmark TIF #1 was about \$38.4 million, which generated a tax increment of about \$821,000. Although the Department of Revenue does not have the data to project either values or tax rates for the area covered by this TIF district, it is reasonable to expect that as a result of the extension of the period in which project costs can be incurred, the district will generate incremental levies at the current level of \$821,000 or higher for the remaining years of its existence.

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

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Extending the expenditure period for a tax incremental district in the village of Denmark			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$</b>		<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>		<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$see text
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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