Fiscal Estimate - 2011 Session

☒ Original   ☐ Updated   ☐ Corrected   ☐ Supplemental

LRB Number 11-3983/2	Introduction Number AB-0536

Description
Increasing the allowable number of project plan amendments, and lengthening the time during which tax increments may be allocated and expenditures for project costs may be made, for Tax Incremental District Number 3 in the city of Middleton

Fiscal Effect

State:
☐ No State Fiscal Effect
☐ Indeterminate

☐ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☐ Create New Appropriations

☐ Increase Existing Revenues
☐ Decrease Existing Revenues

☐ Increase Costs - May be possible to absorb within agency's budget
　　☐ Yes   ☐ No
☐ Decrease Costs

Local:
☐ No Local Government Costs
☒ Indeterminate

1. ☐ Increase Costs
　 ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
　 ☐ Permissive ☐ Mandatory

3. ☐ Increase Revenue
　 ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
　 ☐ Permissive ☐ Mandatory

5. Types of Local Government Units Affected
☐ Towns   ☐ Village   ☒ Cities
☒ Counties   ☐ Others
☒ School Districts   ☒ WTCS Districts

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Description Increasing the allowable number of project plan amendments, and lengthening the time during which tax increments may be allocated and expenditures for project costs may be made, for Tax Incremental District Number 3 in the city of Middleton		

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. If the municipal board adopts a resolution creating the TIF district, the municipal clerk must complete certain forms and an application. The forms and application must be submitted to the Department of Revenue by October 1 of the year the TIF district is formed. The application to the DOR 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. For most TIF districts, the project plan can be amended by adding or subtracting territory up to 4 times during a TIF district's lifetime. In addition, a TIF district is generally prohibited from incurring project costs within 5 years of its statutory termination date.

CITY OF MIDDLETON

The City of Middleton created Tax Incremental District #3 (Middleton TIF #3) in 1993. Under current law, the district has a maximum life span of 27 years (it must be terminated no later than 2020), its project plan can be amended no more than 4 times, and it can incur project costs through 2015.

Under the bill, Middleton TIF #3 would have a maximum life span of 37 years (it must be terminated no later than 2030), its project plan could be amended up to 7 times, and it could incur project costs through 2025.

For the 2011/12 property tax year, the "base value" of Middleton TIF #3 was $64,707,600, the current value was $332,746,200, and the "incremental value" was $268,038,600. The "tax increment" was $5,525,247. To the extent that the bill permits Middleton TIF #3 to exist for a longer period of time than under current law, the overlying taxation jurisdictions will not receive taxes from the value increment for a longer period than permitted under current law.

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