



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

January 29, 2014

MEMORANDUM

To: Senator Cowles

From: Eric Mueller, Legislative Attorney, (608) 261-7032

Subject: Technical Memorandum to **2013 SB 454** (LRB-3755/1) **by DOR**

We received the attached technical memorandum relating to your bill. This copy is for your information and your file.

If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

January 10, 2014

TO: Eric V. Mueller
Legislative Reference Bureau

FROM: Robert Schmidt
Department of Revenue

SUBJECT: Technical Memorandum on 2013 SB 454 Relating to Short-Term Tax Incremental Districts and Expenditure of Tax Increments for Relocation of Commercial or Industrial Enterprises

The Department of Revenue (DOR) has the following concerns regarding the bill:

(1) Tax incremental financing is primarily a locally run program. DOR's administrative role with regard to the program is to ensure that proper procedures were used to establish a TIF district and to annually determine TIF district values. As such, we suggest that the disputes related to enterprise transfers would be better handled by the courts, especially since they are in a stronger legal position to impose the potential penalties, and since any DOR imposed penalties would probably be appealed to the courts.

(2) Under Section 11 of the bill, a short-term tax incremental district (SR-TIF) would be allowed to become a donor TIF district to any other TIF district. If the intent of a SR-TIF is that they should have a shorter life than a "regular" TIF district, we suggest that allowing a SR-TIF to become a donor TIF may be inconsistent with the intent of the author.

(3) The language in Section 14 of the bill raises a question on who is liable for TIF bonds if a TIF district is ordered terminated before the bonds are repaid. It could prove difficult to market bonds related to such TIF districts if there is a chance the city is not liable to repay the bonds.

(4) Under Section 17 of the bill, it appears that an SR-TIF could be included as part of a multi-jurisdictional TIF district. We suggest that an SR-TIF be limited to a single municipality, given the differences in overlying tax jurisdictions and life spans.

(5) Placing the enterprise dispute resolution process in the TIF statutes may suggest that the process only applies to TIF-to-TIF enterprise transfers. If this is not the case, the bill should be modified to clarify the author's intent.

(6) We suggest that the bill have an effective date of October 1, 2014, to permit DOR to change its administrative procedures and to notify local officials of the new law.

(7) Under current law, the DOR determines two values for each municipality with one or more TIF districts: (a) a total equalized value and (b) a total value excluding all positive TIF incremental values. Under the bill, a third equalized value – a total value excluding all positive TIF incremental values for short-term TIF districts – would be needed. The DOR would need to make extensive changes to its processes for determining equalized values and allocating

property tax levies as a result. If the author wishes to provide funding, appropriation language could be developed and costs allocated in the following manner:

	Chapter 20	Amount	FTE
One-time	20.566 (2) (a)	\$ 950,200	

If you have any questions on this technical memorandum, please contact Daniel Huegel at 266-5705.

cc: Senator Robert Cowles