# SENATE BILL 3

October 14, 2013 – Introduced by COMMITTEE ON SENATE ORGANIZATION, by request of Governor Scott Walker. Referred to Joint Committee on Finance.

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1    AN ACT *to renumber* 60.23 (32); and *to create* 60.23 (32) (b), 60.23 (32) (c) and

2    60.23 (32) (d) of the statutes; **relating to:** expanding the authority of the town

3    of Somers in Kenosha County to create tax incremental financing districts.

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### *Analysis by the Legislative Reference Bureau*

Under the current tax incremental financing program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50 percent of the area to be included in the TID is blighted, in need of rehabilitation or conservation, suitable for industrial sites, or suitable for mixed–use development. Currently, towns and counties also have a limited ability to create a TID under certain circumstances. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID within specified time frames, preparation and adoption by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, approval of the city's or village's proposed TID by a joint review board that consists of members who represent the overlying taxation districts, and adoption of a resolution by the common council or village board that creates the TID as of a date provided in the resolution.

Also under current law, once a TID has been created, the Department of Revenue (DOR) calculates the "tax incremental base" value of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the

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value increment in excess of the base value is called a "tax increment."  The tax increment is placed in a special fund that may be used only to pay back the project costs of the TID.

The project costs of a TID, which are initially incurred by the creating city or village, include public works such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs.  DOR authorizes the allocation of the tax increments until the TID terminates or, generally, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created.  Also under current law, a city or village may not generally make expenditures for project costs later than five years before the unextended termination date of the TID.  Under certain circumstances, the life of the TID, the expenditure period, and the allocation period may be extended.

Under the current law limitations on towns to use tax incremental financing (TIF), a town may create a TID for projects related to tourism, agriculture, manufacturing, or forestry.  A town may also use TIF for residential projects, but only to the extent that the residential project has a necessary and incidental relationship to a tourism, agricultural, manufacturing, or forestry project, and for retail projects to the extent that the retail development is related to the retail sale of a product that is produced due to an agricultural, forestry, or manufacturing project.

A town may also create a TID in limited circumstances under which the town enters into a cooperative plan with a city or village under which part or all of the town will be annexed or attached by the city or village.

Under this bill, the town of Somers in Kenosha County may create TIDs in the same way and subject to the same conditions as any city or village.  If any part of such a TID is annexed by a city or village, any assets or liabilities associated with that annexed territory, including bonds or other debt, become the responsibility of the annexing city or village.

For further information see the ***state and local*** fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1    SECTION 1.  60.23 (32) of the statutes is renumbered 60.23 (32) (a).

2    SECTION 2.  60.23 (32) (b) of the statutes is created to read:

3    60.23 **(32)** (b) 1.  In this paragraph, "town" means the town of Somers in

4    Kenosha County.

5    2.  Subject to subd. 3., a town may exercise all powers of cities under s. 66.1105

6    to create a tax incremental district.  If the town board exercises the powers of a city

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**SECTION 2**

1    under s. 66.1105, it is subject to the same duties as a common council under s. 66.1105

2    and the town is subject to the same duties and liabilities as a city under s. 66.1105.

3        3. a.  If a town creates a tax incremental district under s. 60.85, the town may

4    not take any action with regard to that district except by acting under s. 60.85.

5        b.  If a town creates a tax incremental district under par. (a), the town may not

6    take any action with regard to that district except by acting under par. (a).

7        SECTION 3.  60.23 (32) (c) of the statutes is created to read:

8        60.23 **(32)** (c)  If any part of a tax incremental district that is created as provided

9    under par. (b) 2. is annexed by a city or village, any assets or liabilities associated

10    with that annexed territory, including a proportional share of any bonds or other debt

11    associated with the district, shall become the responsibility of the annexing city or

12    village.

13        SECTION 4.  60.23 (32) (d) of the statutes is created to read:

14        60.23 **(32)** (d)  If after January 1 a city or village annexes any part of a tax

15    incremental district that is created as provided under par. (b) 2., the department of

16    revenue shall redetermine the tax incremental base of the district by subtracting

17    from the tax incremental base the value of the taxable property that is annexed from

18    the existing district as of the following January 1, and if the annexation becomes

19    effective on January 1 of any year, the redetermination shall be made as of that date.

20    The tax incremental base as redetermined under this paragraph is effective for the

21    purposes of this paragraph and par. (b) only if it less than the original tax

22    incremental base determined under s. 66.1105 (5) (a).

23                                        **(END)**