

Fiscal Estimate Narratives

DOR 2/11/2014

LRB Number	13-4162/1	Introduction Number	AB-0747	Estimate Type	Original
Description Creating special provisions for a city or village to create a tax incremental district in recently annexed territory					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

The tax incremental finance (TIF) law permits villages and cities to finance certain public improvements needed to encourage economic development. When a tax incremental district (TID) is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TID 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 TID. A village or city TID generally may exist for 20, 23, or 27 years, depending on the purpose for which the district was created. TIF-related project expenditures may not be incurred within 5 years of the maximum allowable life of a district.

Under current law, in general, a new TID may not be created if the value of the property in a proposed TID plus the incremental value of the municipality's existing TIDs is more than 12% of the total equalized value of the municipality. This is referred to as the "12% limit."

Also under current law, town territory annexed by a city/village after January 1, 2004 cannot be included in a new TID, or existing TID, unless one of the following exceptions applies: 1) at least three years have passed since the territory was annexed; 2) the city/village enters into a cooperative boundary agreement with the town; or 3) the city/village and town enter into another kind of agreement relating to annexation.

PROPOSED LAW

Under the bill, if, within 90 days of annexing town territory, a city holds a public hearing on the creation of a TID that is located in the annexed territory, the city may create such a TID. The district created in the annexed territory is subject to several additional provisions that differ from current law: 1) the TID must terminate upon the earlier of seven years or when the total tax increments equal total project costs; 2) the TID may not allocate positive increments to another TID; 3) the 12% limit does not apply to a city that creates such a TID until 2016; and 4) the TID may incur project costs until October 1, 2016.

The bill creates additional authority for a city to create a TID. Considering the specific timeframe and other limitations prescribed in the bill, the number of TIDs that will be created under the bill is expected to be minimal. If the bill results in the creation of a new TID, all of the overlying taxing jurisdictions would share a larger tax base after the termination of the TID, which may result in lower tax rates in these jurisdictions.

Administrative costs for DOR can be absorbed within the current budgetary resources.

Long-Range Fiscal Implications