

Fiscal Estimate Narratives

DOR 10/18/2013

LRB Number	13-3334/1	Introduction Number	SB-342	Estimate Type	Original
Description Sharing of tax increments					

Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits villages, cities, and, to a limited extent, towns to finance certain public improvements needed to encourage economic development. In order to create a TIF district, a municipality must follow certain procedures, such as establishing a project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adopting on a resolution approving the creation of the TIF district. The Department of Revenue (DOR) must be notified of the creation of the TIF district by October 1 of the year the TIF district is formed. The notice 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.

When a TIF district is created, the equalized value of the taxable property in the district becomes the district's "base value". In subsequent years, as the TIF district develops and its equalized value changes, if the current value is greater than the "base value" the difference between the two is referred to as the "value increment". The property taxes levied by the municipality, county, school district, technical college district, and any special districts on the "value increment" are retained by the municipality and used to repay the costs of developing the TIF 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. In general, once the TIF district's costs are repaid, the district is terminated, and the property taxes in the former TIF district are shared with the overlying taxing jurisdictions in the same manner as non-TIF property taxes are shared.

If a municipal board determines that the projected incremental levies of a TIF district are likely to be insufficient to be sufficient to meet the TIF district's financial obligations, a TIF district that has paid off its costs but has not reached its mandatory termination date may become a donor TIF. This means that the TIF district continues to generate tax increments, but these increments are forwarded to the TIF district that is in financial distress.

Current law also permits a town, village, city, or county to create an environmental remediation tax incremental financing (ERTIF) district to recover the cost of remediating contaminated property. The financial operation of an ERTIF is essentially the same as for a regular TIF district. The maximum life of an ERTIF is 23 years. As with a regular TIF district, if a municipal board determines that the incremental levies of an ERTIF are likely to be insufficient to meet the ERTIF's financial obligations, an ERTIF that has not reached its mandatory termination date may become a donor ERTIF.

Under current law, a TIF district can only be a donor to another TIF district within the same municipality, and an ERTIF can only be a donor to another ERTIF within the same municipality.

Under the bill, a TIF district could be a donor to an ERTIF in the same municipality, and an ERTIF could be a donor to a TIF district in the same municipality.

There were 16 ERTIF districts in 14 municipalities for the 2012/13 property tax year (see the attached list). All but one of the 14 municipalities have an accompanying TIF district. The total estimated incremental levy for these 16 ERTIF districts was about \$1.54 million (or 0.43% of the state total incremental levy). There were an additional 40 non-ERTIF districts in these municipalities with a total estimated incremental levy of about \$26.42 million (or 7.34% of the state total incremental levy). Given the small number of ERTIF districts, the number of cases in which a TIF district may become a donor to an ERTIF district (or vice versa) and the amount of incremental levies involved is expected to be small.

DOR administrative costs are expected to be absorbed within current budgetary resources.

Long-Range Fiscal Implications

2013 SB 342 -- Information on Municipalities with One or More Environmental TIF Districts

Municipality	County	Number of		2012/13	Number of		2012/13	Total TIF Districts	2012	2012/13
		ER TIF Districts	2012 Incremental Value	Estimated Tax Increment	Other TIF Districts	2012 Incremental Value	Estimated Tax Increment		Incremental Value	Estimated Tax Increment
City of Prairie du Chien	Crawford	1	494,000	14,527	6	73,079,150	2,148,989	7	73,573,150	2,163,516
Town of Madison	Dane	1	22,668,000	542,623	1	10,047,300	240,511	2	32,715,300	783,134
City of Berlin	Green Lake	2	879,400	22,692	5	8,890,600	229,413	7	9,770,000	252,105
City of Mauston	Juneau	1	0	0	2	38,786,400	1,195,601	3	38,786,400	1,195,601
City of Tomahawk	Lincoln	1	161,300	3,798	3	11,080,100	260,867	4	11,241,400	264,665
City of Kiel	Manitowoc	1	0	0	2	17,177,200	375,115	3	17,177,200	375,115
City of Cudahy	Milwaukee	2	11,004,200	302,516	1	189,744,200	5,216,247	3	200,748,400	5,518,763
City of Glendale	Milwaukee	1	12,357,300	351,994	3	318,625,400	9,075,940	4	330,982,700	9,427,934
City of Rhinelander	Oneida	1	4,529,300	104,694	3	6,647,700	153,660	4	11,177,000	258,354
City of Kaukauna	Outagamie	1	897,700	22,492	3	21,343,200	534,761	4	22,240,900	557,253
City of New London	Outagamie	1	15,000	367	1	6,530,550	159,662	2	6,545,550	160,029
City of Burlington	Racine	1	1,913,400	46,751	1	170,311,700	4,161,342	2	172,225,100	4,208,093
City of Sheboygan	Sheboygan	1	4,597,200	126,466	9	97,039,700	2,669,499	10	101,636,900	2,795,965
Town of Matteson	Waupaca	1	7,100	166	0	0	0	1	7,100	166
State Total	*****	16	59,523,900	1,539,086	40	969,303,200	26,421,607	56	1,028,827,100	27,960,693

Notes:

TIF District counts include all districts, regardless of incremental value.

Total incremental value is for those districts whose incremental value is zero or greater.