

Fiscal Estimate - 2023 Session

Original Updated Corrected Supplemental

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| LRB Number 23-4938/1 | Introduction Number AB-0879 |
| Description local levy increase limit calculations related to tax incremental districts | |
| Fiscal Effect | |
| State: | |
| <input checked="" type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs | |
| Local: | |
| <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input checked="" type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected | |
| <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS | |
| Affected Ch. 20 Appropriations | |
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| Date 1/10/2024 | |

Fiscal Estimate Narratives

DOR 1/10/2024

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Assumptions Used in Arriving at Fiscal Estimate

The bill repeals the changes made in 2023 Wisconsin Act 12 to the calculation of local property tax levy limits with regard to taxable property located within a tax increment district (TID). Act 12 changed the standard for determining the "valuation factor" to include only 90 percent of new construction that occurs within TIDs created after December 31, 2024, (covered TIDs) and to exclude any improvements removed within these TIDs. That is, under Act 12, net new construction for a political subdivision is the percentage change in the political subdivision's equalized value due to new construction, including 90 percent of the value of new construction occurring within a covered TID, less improvements removed, other than improvements removed within a covered TID.

Also, under Act 12, for covered TIDs created after December 31, 2024, upon termination or amendment of the TID, the political subdivision's levy limit is increased by an amount based on 10 percent of the TID's lifetime equalized value. The actual amount equals the aggregate of new construction less improvements removed in the covered TID. For TIDs that terminate earlier than anticipated, 75 percent or less of the expected life, at the time of creation, this levy limit increase may increase further by 15 percent of the TID's lifetime equalized value increase. Under the bill, these changes are eliminated.

The bill has no immediate fiscal effect as it would apply to TIDs created after December 31, 2024. TID net new construction can be concentrated in certain municipalities representing a large percent of overall net new construction; therefore, the Act 12 formula could reduce revenue for municipalities with TIDs created after December 31, 2024.

For illustrative purposes, assuming the Act 12 valuation formula change applied to all 2023 TIDs, Act 12 and the bill would result in the following differences. 2023 TID net new construction totaled \$3.359 billion, while under 90 percent of new construction excluding improvements removed would total \$3.089 billion, a decrease of \$270.45 million. For municipalities with TIDs, the 90 percent of new construction formula would reduce the net new construction valuation factor from 2.05 percent to 1.991 percent, a 3 percent decrease. 318 municipalities would see reduced net new construction valuation factors, while 39 would see a higher net new construction valuation factor.

Regarding the terminated TID calculation for TIDs created after December 31, 2024, the department does not currently have the data required for the Act 12 calculation. Assuming the aggregate of new construction less improvements removed was equal to the TIDs value increment, municipalities with terminated TIDs in 2023 would have had smaller increases. The 50 percent calculation for TIDs prior December 31, 2024 results in a median terminated TID factor of 1.573 percent compared with 0.315 percent under the Act 12 10 percent calculation. All municipalities with terminated TIDs would see lower terminated TID factors. The actual Act 12 amount may be higher since it includes removed improvements.

In summary, if the Act 12 calculations applied to all current tax increment districts, total municipal levies for 2023 would be lower by approximately \$5.7 million compared with the calculation for TIDs created prior to December 31, 2024. The median levy reduction would be \$49,900.

The department would have no administrative costs if the bill were enacted before May 1, 2024.

Long-Range Fiscal Implications