



# State of Wisconsin • DEPARTMENT OF REVENUE

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*Scott Walker*  
Governor

*Richard G. Chandler*  
Secretary of Revenue

July 17, 2014

## **Testimony to the Study Committee on the Review of Tax Incremental Financing**

Nate Ristow, Legislative Advisor

Chairman Gudex and members of the committee, thank you for inviting me to testify on the Department of Revenue's role in Tax Incremental Financing.

TIF is a local economic development mechanism. As such, the state Department of Revenue plays a minor administrative role in the process. DOR is often contacted by local governments and their consultants who are considering creating or amending a TIF district. DOR provides information on the steps required by state law, for example, hearing notices, project plans, maps, parcel valuations, and Joint Review Board (JRB) meetings and approval. After the JRB approves creation or amendment of a TID, DOR receives a copy of the project plan or amendment. State law requires DOR to review all of the documents to confirm the municipality completed all required steps. DOR also confirms that the creation or amendment does not violate the 12% limitation under state law. The law does not allow a municipality to create or amend a TID if 12% or more of a municipality's equalized value is in a TID. Additionally, state law was recently enacted that allows municipalities to request DOR to redetermine a base value for TIDs in a decrement situation.

State law requires DOR to annually determine the equalized value (total taxable value) for each taxation district (municipality, county, school district, special district, technical college). DOR is also responsible for determining the total taxable value for each TID based upon information from the municipal assessor.

Municipalities levy their taxes on the assessed value of all property in their jurisdiction, including property located in a TID. This is known as the TIDIN value. Other taxing jurisdictions

(county, school, special, tech) levy taxes on the TIDOUT equalized value, which does not include the increment value of the TID. DOR provides both of these values.

As an example of the process, I have provided the Tax Increment Worksheet for the Town of New Chester in Adams County. Using this worksheet, municipalities establish the tax increment from their TIDs. The tax increment equals the value increment (value of the TID in excess of its base value) multiplied by the tax rate for all tax jurisdictions -- municipal, county, school district, technical college district, and special purpose districts. Therefore, tax increments can only be generated by an increase in the equalized value of taxable property within a TID. The TIDs within the municipality must collectively have a positive value increment to create any tax increment. The tax increment is then added to the municipal levy amount for determining what portion of property taxes paid are payable to the municipality. The municipality can only use the tax increment amount for eligible costs.

State law requires a municipality to notify DOR when a TID is closed or terminated. The entire value of the parcels is then available to all jurisdictions to levy taxes upon. When a TID is terminated, a municipality is allowed to exceed their levy limit by an amount equal to 50% of the final increment value of the terminated TID divided by the prior year equalized value of the municipality (TIDIN) multiplied by their maximum allowable levy for the immediately preceding year. This new levy becomes the municipality's new levy limit base. Similarly, the county may exceed their levy limit by an amount equal to 50% of the final increment value of all terminated TIDs in the county divided by prior year (TIDIN) equalized value of the county multiplied by their maximum allowable levy for the immediately preceding year.

DOR often receives questions about TID quality and successfulness. It is very difficult for DOR to offer opinions on these topics because our role is administrative. As such, the type of data that DOR has about TIDs is limited. On DOR's website, we publish the following reports:

- A list of active TIDs, which includes TID type, if it was required to be declared, base value year, date of the JRB resolution, end date if the TID exists for its maximum life, and an end date if the TID life has been extended.
- A separate list of the distressed and severely distressed TIDs, which includes the same information provided on the list of active TIDs.
- An annual list of newly created TIDs, which includes the base value of the TID, as well as the information provided on the list of active TIDs.
- An annual list of TID amendments, which includes the number of amendments, the type of TID, the date of the amendment resolution, and the value of the amendment, and the redetermined base value after the amendment.
- An annual list of terminated TIDs, which includes TID type, base year, base value, final value, and increment (or decrement) value.
- The Tax Incremental Value Report, which includes each active TID's base year, current value, and current increment (or decrement). It also includes each municipality's total TID increment (or decrement), total TID value, equalized value, and the percentage of a municipality's equalized value in a TID (12% limitation test).

In summation, the data that DOR can provide includes:

- TID creation dates
- TID amendment dates
- TID base values
- TID types, if required
- Annual TID increments
- TID close / termination dates
- TID locations
- Final TID audit of all expenditures

TID information that DOR does not have includes TID actual expenditures per year and TID debt. DOR only receives the TID project plan that identifies estimated expenditures and the final audit of all expenditures. In the context of DOR's administrative role, the department does not receive ongoing reports of TID expenditures. During the life of a TID, DOR knows the increment growth, but not how much the municipality expended to realize that growth.

Additionally, DOR does not have the capacity to confidently model the economic growth as a result of TIF. We have no way of measuring economic growth in the absence of a TID. Therefore, we cannot compare the economic growth that occurred in the presence of a TID with any counterfactual.

Lastly, DOR was asked to present some historical context on TIDs. Included in your materials are graphs showing the number of TIDs created and terminated by year. I have also included a graph showing TIDs that were declared distressed and severely distressed since 2010, when that designation became an option for local governments, and a chart of TIDs that would have met the new statutory definition of being in a decrement situation. Currently, there are 56 that meet the definition from 2013 Act 183, and two have filed with DOR for revaluation.

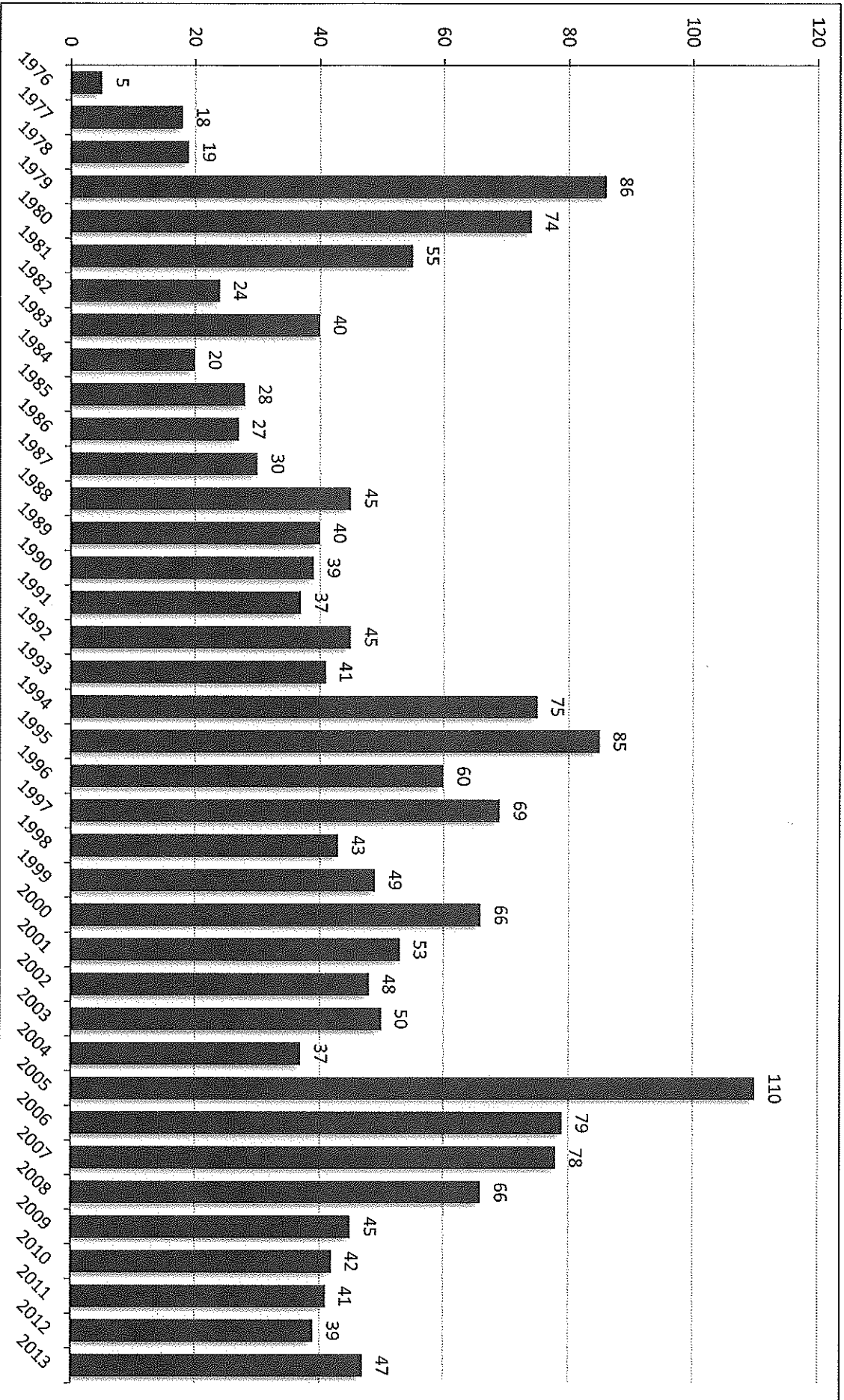
# TAX INCREMENT WORKSHEET

## Wisconsin Department of Revenue

For <input type="text" value="2013"/>	Report Type <input type="text" value="AMENDED"/>	Comm. Code <input type="text" value="01020"/>	Mun. Type <input type="text" value="TOWN"/>	Account Number <input type="text" value="0010"/>	Equalized TID Value Increment(s) <b>3,850,400</b> <small>(Must be TOTAL if more than one TIF District)</small>
Payable in <input type="text" value="2014"/>	Municipality <input type="text" value="NEW CHESTER"/>		County <input type="text" value="ADAMS"/>		
This worksheet is for all TIDs in this municipality					
Preparer Information Name: <input type="text" value="ROBIN HANSEN"/> Email: <input type="text" value="robinhansen1969@yahoo.com"/> Work Phone: <input type="text" value="(608) 339-3351"/> Other Phone: <input type="text" value="(608) 548-5483"/>					
2013 worksheet(s) submitted Original: <input type="text" value="12/12/2013"/> Amended: <input type="text"/>					

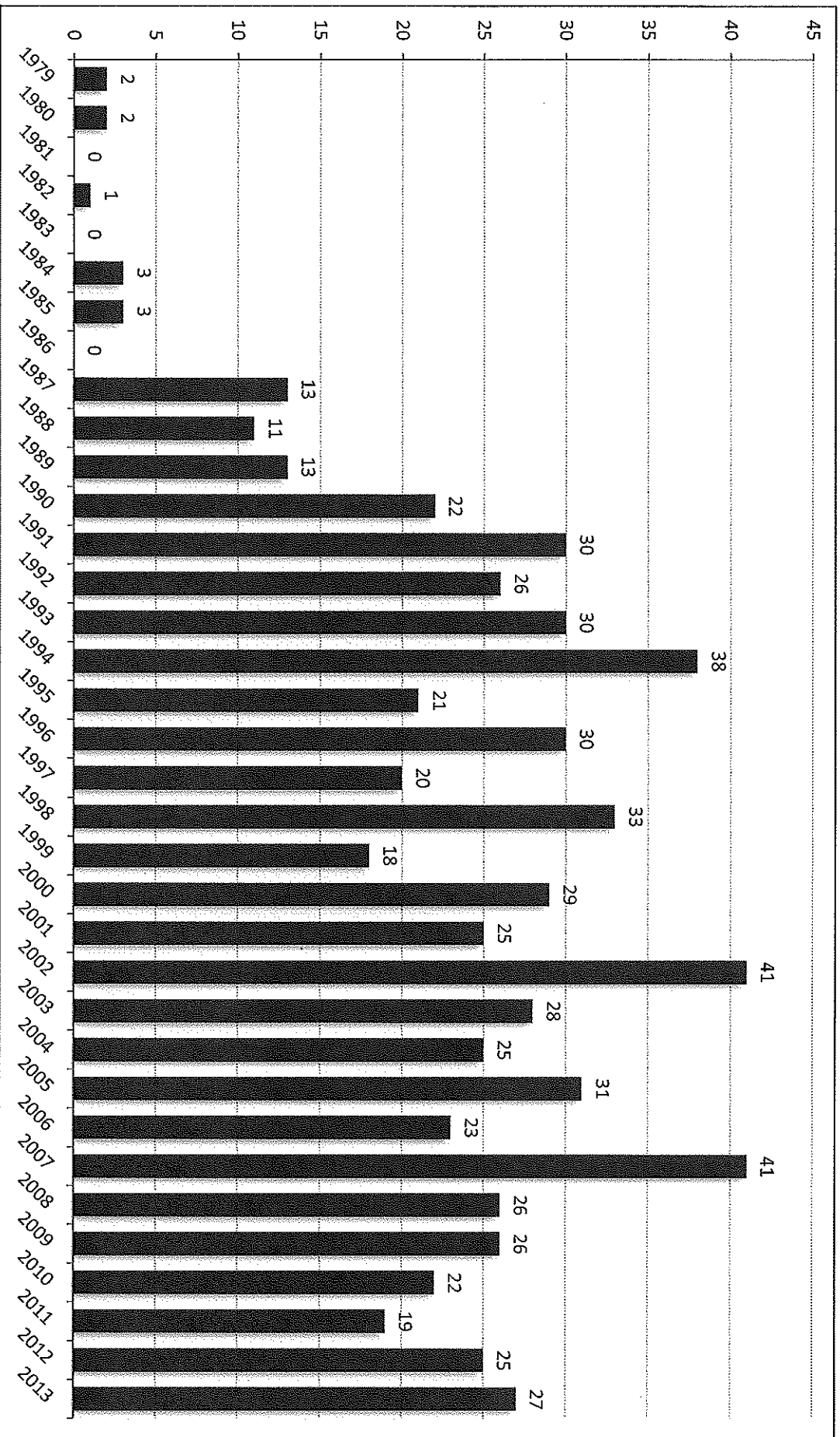
Taxing Jurisdiction	Apportioned Levy	Equalized Value (less TID value increment)	Interim Rate	Equalized Value (with TID value increment)	Amount to be Levied	E-A=Tax Increment
<b>1</b> County						
ADAMS	598,371.13 /	77,473,700 =	0.007723539 X	81,324,100 =	628,109.86	29,738.73
<b>2</b> Special District (metro, sanitary, lake)						
8030	0.00 /	8,806,403 =	0.000000000 X	8,806,403 =	0.00	0.00
8110	13,160.00 /	7,704,711 =	0.001708046 X	7,704,711 =	13,160.00	0.00
<b>3</b> Tax District (city, village, town)						
NEW CHESTER	60,245.83 /	77,473,700 =	0.000777629 X	81,324,100 =	63,239.98	2,994.15
<b>4</b> School District(s)						
0014	832,416.61 /	76,865,621 =	0.010829505 X	80,716,021 =	874,114.55	41,697.94
6335	5,637.00 /	608,079 =	0.009270177 X	608,079 =	5,637.00	0.00
<b>5</b> Technical College District(s)						
1400	133,911.83 /	77,473,700 =	0.001728481 X	81,324,100 =	140,567.16	6,665.33
<b>6</b> Total Tax Increment						
	1,643,742.40			1,724,828.55		81,086.15

# TIDs Created, by year 1976-2013



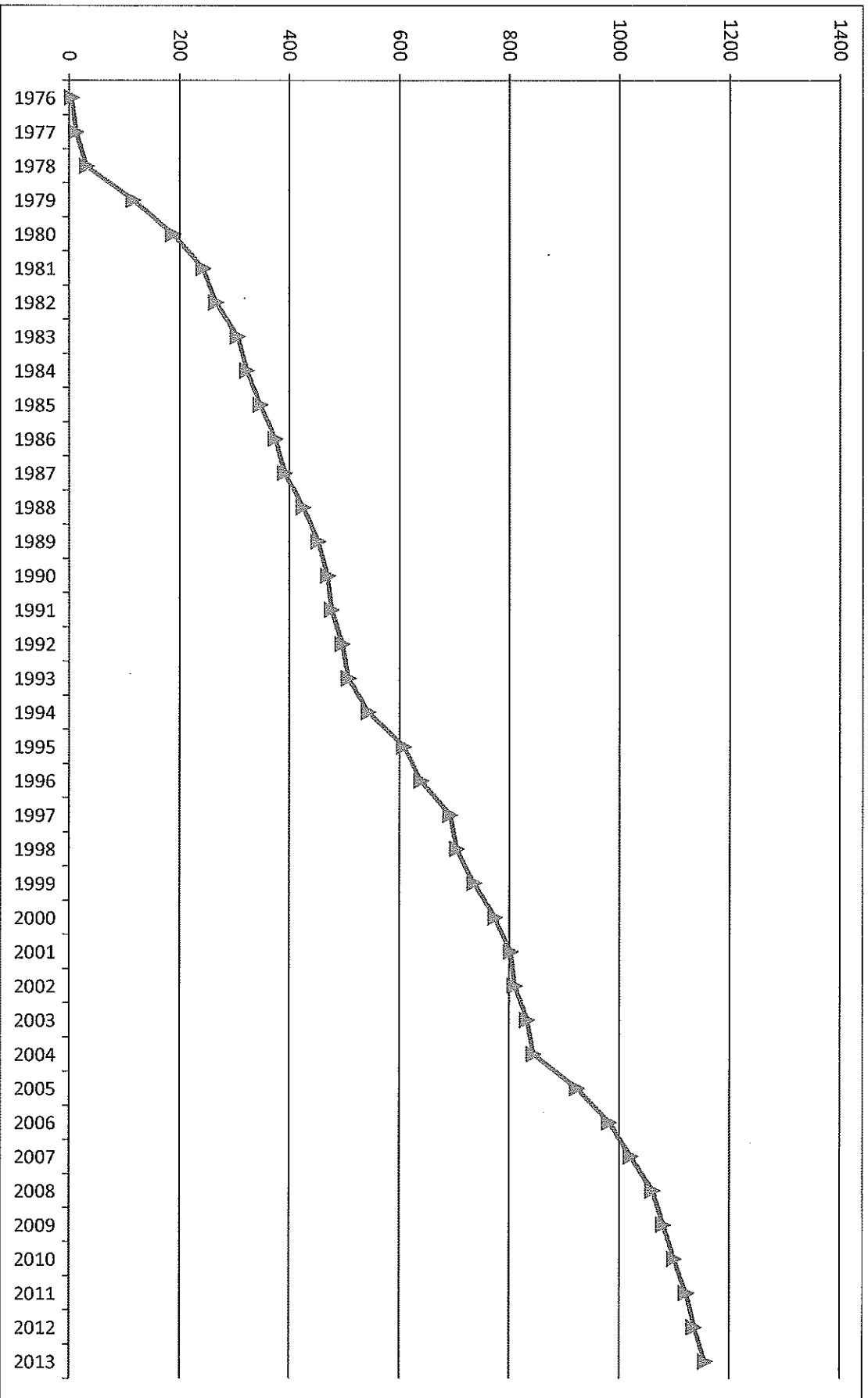
# TIDs Terminated or Closed, by year

1979-2014



# Total Active TIDs, by Year

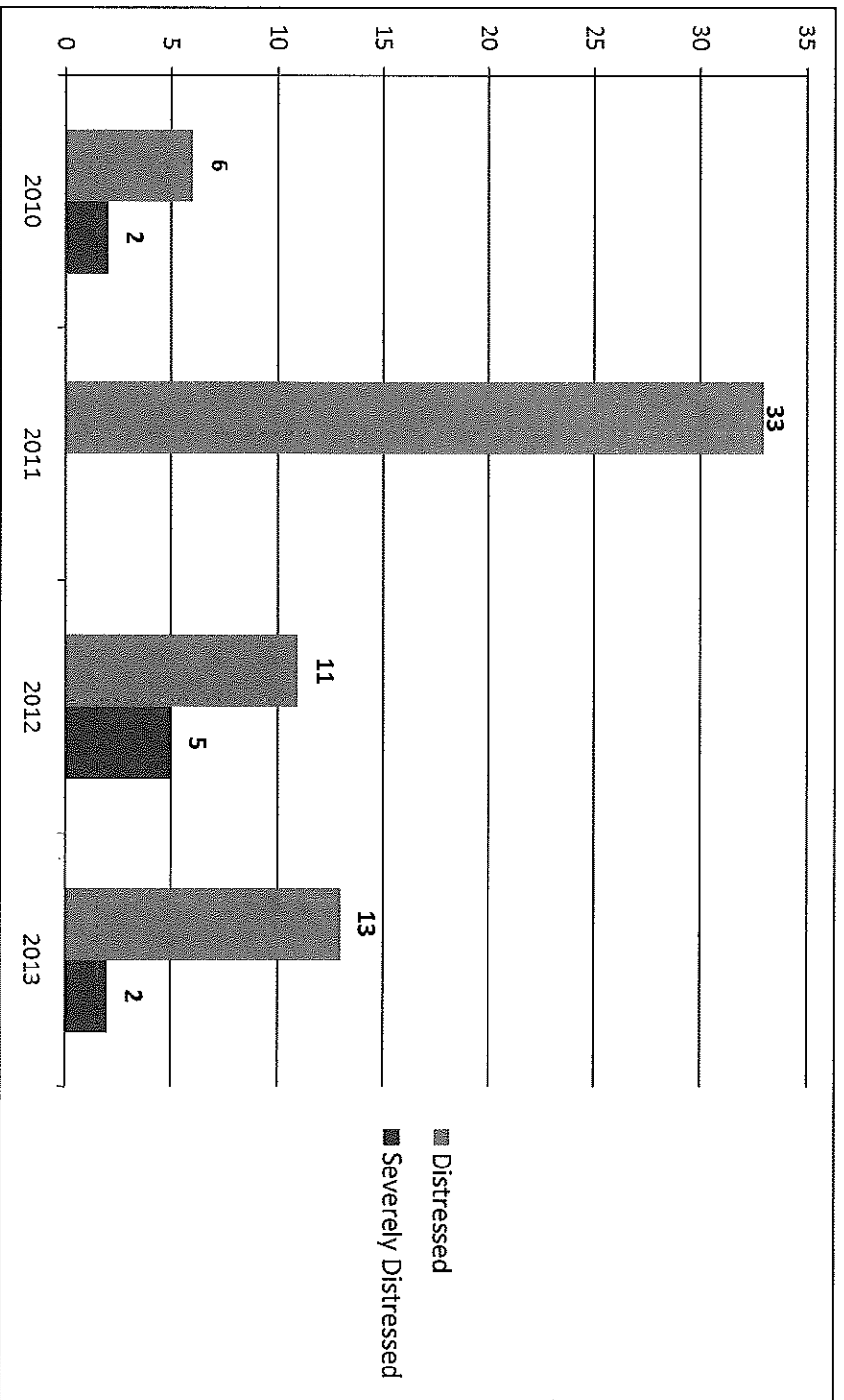
1976-2013



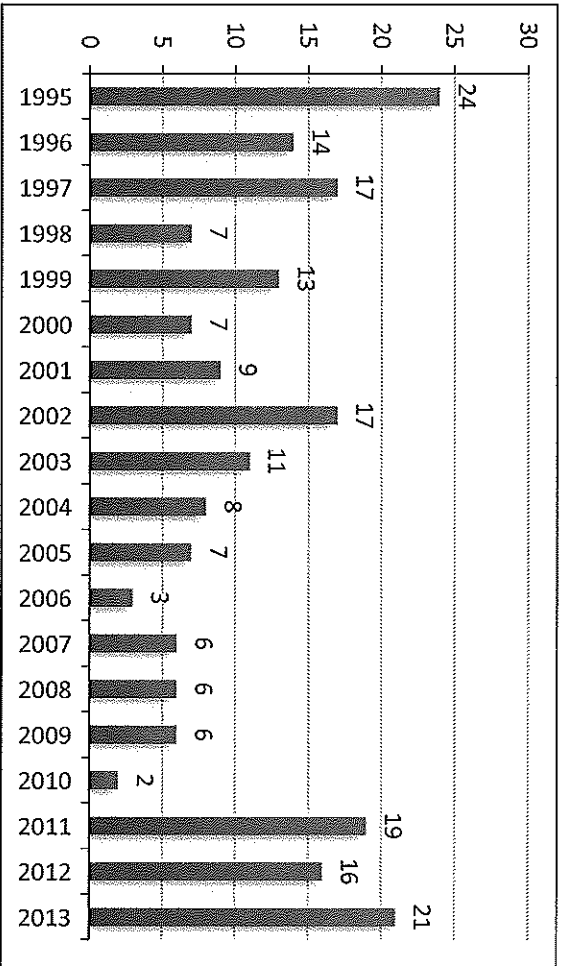


# TIDs Declared Distressed/Severely Distressed, by year

2010-2013



## TIDs Entering Decrement Situation, by year 1995-2013



## Total in Decrement Situation, by year 1995-2013

