

1 **AN ACT** *to renumber and amend* 66.0602 (3) (dm); and *to create* 66.0602 (3) (dm) 2.
 2 of the statutes; **relating to:** increasing the amount that a political subdivision may
 3 add to its levy limit upon the dissolution of a tax incremental financing district.

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

JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: This draft was prepared for the Joint Legislative Council’s Study Committee on Review of Tax Incremental Financing.

Background

Generally, under current law, and subject to a number of exceptions, a city, village, or town (municipality) may not increase its base levy (the prior year’s actual levy) in any year by more than the percentage change in the municipality’s equalized value due to new construction, including new construction that occurs in a tax incremental district (TID), less improvements removed, between the previous year and the current year, but not less than zero percent. Also, when determining its levy limit, a municipality must exclude the amount of any tax increment generated by property in a TID located in the municipality.

There are numerous exceptions that may be used to adjust a municipality’s levy limit. One exception authorizes an increase in a municipality’s levy limit for the year that a TID terminates. If the Department of Revenue (DOR) does not certify a TID as a result of the district’s termination, the levy limit otherwise applicable is increased by an amount equal to the municipality’s maximum allowable levy for the preceding year, multiplied by a percentage equal to 50 percent of the amount determined by dividing the terminated TID’s value increment by the political subdivision’s equalized value, as determined by DOR. The increase must be applied to the political subdivision’s levy limit in the year that the TID terminates.

The Draft

The draft increases the percentage that is used to determine the levy limit adjustment due to a TID’s termination, from 50 percent to 85 percent.

The draft also allows a political subdivision to choose whether to adjust it’s levy limit, in the year that the TID terminates or within the next three

years immediately succeeding the termination year. It also allows the municipality to choose to take the entire increase in one of these 3 years or over the course of these 3 years.

1 **SECTION 1.** 66.0602 (3) (dm) of the statutes is renumbered 66.0602 (3) (dm) 1. and
2 amended to read:

3 66.0602 (3) (dm) 1. If Except as provided in subd. 2., the department of revenue does
4 not certify a value increment for a tax incremental district for the current year as a result of
5 the district's termination, the levy increase limit otherwise applicable under this section in the
6 current year to the political subdivision in which the district is located is increased by an
7 amount equal to the political subdivision's maximum allowable levy for the immediately
8 preceding year, multiplied by a percentage equal to ~~50~~ 85 percent of the amount determined
9 by dividing the value increment of the terminated tax incremental district, calculated for the
10 previous year, by the political subdivision's equalized value for the previous year, all as
11 determined by the department of revenue.

NOTE: This SECTION increases the percentage that is used to determine the increase to a political subdivision's levy limit when a TID is terminated. This SECTION increases the percentage from 50 percent to 85 percent.

COMMENT: Relative to the previous year's allowable levy and holding other variables constant, an adjustment to the allowable levy under the 50 percent calculation has the effect of decreasing the local mill rate, since 100 percent of TIF value is added to the local equalized property value. Under an adjustment based on an 85 percent calculation, the effect on the local mill rate remains negative though the size of the decrease is reduced relative to the 50 percent calculation.

12 **SECTION 2.** 66.0602 (3) (dm) 2. of the statutes is created to read:

13 66.0602 (3) (dm) 2. If the department of revenue does not certify a value increment for
14 a tax incremental district, as described in subd. 1., the political subdivision may choose to defer
15 the increase in the levy limit as described in subd. 1. If the political subdivision makes that

1 choice, it may choose to increase the levy limit as described in subd. 1., within the immediately
2 succeeding year, or the year following the immediately succeeding year, and may do one of
3 the following:

4 a. Take the entire amount of the increase in the year that the calculation was made, or
5 in one of the two immediately succeeding years.

6 b. Take a percentage of the increase in the year that the calculation was made, the
7 immediately succeeding year, or the year following the immediately succeeding year, or any
8 combination thereof, as long as the total increase added during the 3 year period does not
9 exceed the increase to the levy limit as described in subd. 1.

NOTE: This SECTION requires a municipality to choose to either increase its levy limit by the amount authorized in SECTION 1, over the course of the next 3 years immediately succeeding the year the TID terminated. The municipality may also choose to take the entire increase in one of these 3 years, or it may take the increase over the course of these 3 years.

10

(END)