



## Fiscal Estimate Narratives

DOR 11/14/2001

LRB Number	01-4194/1	Introduction Number	SB-311	Estimate Type	Original
<b>Subject</b>					
Limiting the uses of tax incremental financing					

### Assumptions Used in Arriving at Fiscal Estimate

To create a tax incremental financing district (TID) under current law, 50% or more of the land area in the TID must be blighted or in need of rehabilitation and no more than 25% of the land can be vacant for the 7 years preceding the TID creation. However, if the area is suitable for industrial use, neither test applies.

The bill would limit the conditions under which a municipality could create a TID. Under the bill, land that is suitable for industrial use would no longer be a qualifying criterion. Also under the bill, agricultural and forest land would not be allowed in TIDs. While the bill does not prohibit the use of tax incremental financing for industrial purposes, industrial TIDs must meet the land restrictions for blighted and rehabilitation TIDs.

According to the 1995-98 Report on Tax Incremental Financing by the Department of Commerce, of the 251 TIDs created in the 1995-98 period, 78 TIDs or 31% were for non-industrial purposes, and 173 or 69% had industrial development as at least one component of the TID project. The report also indicates that an average of 65 TIDs were created annually in the period.

Assuming many industrial TIDs under current law are not created in areas with at least 50% of the land area blighted or in need of rehabilitation, the bill would result in significantly fewer TIDs created. As a result, fewer TID tax increments would be generated with which to finance the public improvements needed for the development to occur.

To the extent that the industrial properties would be developed in the absence of tax incremental financing (TIF), the municipality would have to incur all or a portion of the necessary public improvements. On the other hand, to the extent that the industrial properties would not be developed without TIF, the bill would reduce future growth in the tax base for all affected taxing jurisdictions.

Since TIDs created for blight elimination and rehabilitation tend to exist longer than industrial-purpose TIDs, the average life of TIDs created under the bill is expected to be longer than the 12-year average life under current law.

The department would incur costs related to programming changes and to revisions to informational material and prescribed forms required under the bill. Those costs could be absorbed within existing resources.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

LRB Number <b>01-4194/1</b>		Introduction Number <b>SB-311</b>	
<b>Subject</b>			
Limiting the uses of tax incremental financing			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$See text of fiscal note.
NET CHANGE IN REVENUE		\$	\$See text of fiscal note.
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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