

Assembly Republican Majority

Bill Summary

SB 306: Tax Incremental Financing

Relating to: making changes to the Tax Incremental Financing program, authorizing the Department of Revenue to impose a fee to determine or redetermine the tax incremental base of a tax incremental financing district, and requiring the department to prepare a tax incremental financing manual.

By Senators Stepp, Kanavas, Leibham, Darling, Jauch, Brown, Roessler, A. Lasee, Schultz, Kedzie, S. Fitzgerald, Wirch, Hansen, Zien and M. Meyer; cosponsored by Representatives M. Lehman, Wieckert, Albers, Nischke, Balow, Olsen, Freese, Boyle, Krawczyk, Huber, Kreibich, Hebl, Musser, Loeffelholz, Steinbrink, Gunderson, Hahn, Van Akkeren, F. Lasee, Van Roy, Ladwig, Petrowski, Townsend, Ott, Hundertmark, Stone, Lothian, Vrakas, McCormick, Underheim, Weber, Hines, Gottlieb, J. Wood, Jeskewitz and Gielow.

Date: January 20, 2004

BACKGROUND

Under the current Tax Incremental Financing (TIF) program, a city or village may create a tax incremental district (TID) in part of its territory to foster development if at least 50 percent of the area to be included in the TID is blighted, in need of rehabilitation, or suitable for industrial sites. A municipality that intends to create a TIF district must convene a joint review board. This board is made up of a representative of each of the following taxing jurisdictions within whose boundaries the TID would be created: the school board, the county, the technical college district, and the city or village. It also includes one public member selected by the four representatives of the taxing jurisdictions.

Several steps are required before the TID can be created. These include public hearings and adoption of a resolution creating the district on a specified date. The city or village clerk is then required to complete and submit forms and an application to the Department of Revenue (DOR) by December 31 of the year in which the TID is created.

Upon receipt of the application, DOR is required to determine the full aggregate value of the taxable property, and of certain city or village owned property that lies within the TID. DOR then certifies the base of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If development in the TID increases the value of the property above the base value, a value increment is created. That portion of taxes collected on the value increment is a tax increment. The tax increment is placed in a special fund that can only be used to pay back the project costs of the TID. DOR authorizes the allocation of the tax increments until the TIF terminates or 23 years, or 27 years in certain cases, after the TID is created, whichever is sooner. TIDs are required to terminate, with one exception, once these costs are paid back, 16 years (or 20 years in certain cases), after the last expenditure in the project plan is made, or when the city or village dissolves the TID, whichever comes first.

If an existing TID project plan is amended, the steps described above are required and DOR must redetermine the TID's tax incremental base.

SUMMARY OF SB 306 AS AMENDED BY THE SENATE

Senate Bill 306 allows the Joint Review Board, when considering approval of a TIF project, to request technical assistance from the Department of Revenue. In addition, the draft authorizes DOR to impose a fee of \$1,000 on a city or village to determine or redetermine the tax incremental base of a TID. Revenues collected from the fee would be used to provide staff and administrative services to TIDS, and to prepare and update a TIF manual. The manual would contain the rules of the program, common problems faced by cities and villages under the program, and possible side effects associated with the use of TIF. The \$1,000 fee would be a

TIF-eligible expense. Senate Bill 306 as amended increases the authorized FTE positions for the DOR from 1.0 PR to 2.0 PR, for the purpose of performing services related to tax incremental districts.

AMENDMENTS

Senate Amendment 1 to Senate Bill 306 increases the authorized FTE positions at DOR from 1.0 to 2.0 PR for TIF related duties. [Adopted on a voice vote].

FISCAL EFFECT

A fiscal estimate prepared by the Department of Revenue indicates that the \$1,000 filing fee would generate approximately \$84,000 annually. The cost for two FTE positions with salaries and fringes would be \$113,000 (\$56,500 per position), and the Department estimates that state operations and other costs would be \$27,500. Thus, increased costs would total \$140,500 and revenue generated would total \$84,000 for a net fiscal impact of -\$56,500.

PROS

1. Tax Incremental Financing (TIF) is the only real economic development tool local governments currently have. Senate Bills 305 and 306 make TIF more flexible and address longstanding concerns with current TIF law.
2. SB 306 addresses the additional workload and related costs at DOR associated with SB 305.
3. The \$1,000 filing fee for cities and villages is a TIF-eligible expense.

CONS

1. The \$56,500 fiscal note.

SUPPORTERS

Sen. Stepp, author; Rep. Lehman, lead co-author; the Department of Revenue, J. Michael Mooney, MLG Development; David Anderson, Ehlers & Associates; Peter Thillman and Jim Hough, WI Economic Development Assn.; Richard Stadelman, WI Towns Assn.; Audra Millen, City of Milwaukee; Joan Hansen, WI Manufacturers & Commerce; Ed Huck, WI Alliance of Cities; Tom Larson, WI Realtors Assn.; Dan Thompson, League of WI Municipalities; Jerry Deschane, WI Builders Assn.

OPPOSITION

Sarah Diedrick Kasdorf, WI Counties Assn.; Norm Cummings, Waukesha County.

HISTORY

Senate Bill 306 was introduced on Nov. 5, 2003, and referred to the Senate Committee on Economic Development, Job Creation and Housing. A public hearing was held on Nov. 6, 2003. On Nov. 12, 2003, the Committee voted 5-0 to recommend SB 306 for passage. On Nov. 13, 2003, the Senate passed SB 306 by a

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vote of 26-5 following adoption of Senate Amendment 1. Senate action on SB 306 was messaged to the Assembly, and SB 306 was referred to the Ways and Means Committee. On Dec. 5, 2003, the Committee voted 12-0-2 [Reps. F. Lasee and Morris absent] to recommend concurrence of SB 306 as amended.

CONTACT: Vicky Halverson, Office of Rep. Michael Lehman

Vote Record
Committee on Ways and Means

Date: 12/3/03

Moved by: J Wood

Seconded by: Berceau

AB _____ SB 306 Clearinghouse Rule _____
 AJR _____ SJR _____ Appointment _____
 AR _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

Be recommended for:
 Passage Adoption Confirmation Concurrence Indefinite Postponement
 Introduction Rejection Tabling Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Representative Michael Lehman, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Jeffrey Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Stephen Nass	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Eugene Hahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Frank Lasee	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Suzanne Jeskewitz	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Samantha Kerkman	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Thomas Lothian	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Wayne Wood	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Leon Young	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Terese Berceau	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Robert Ziegelbauer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Representative Johnnie Morris	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Representative Tom Hebl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Totals:	<u>12</u>	<u>0</u>	<u>2</u>	_____

Motion Carried

Motion Failed



Johnnie E. Morris



STATE REPRESENTATIVE • 11TH ASSEMBLY DISTRICT

December 2, 2003

Representative Michael Lehman
Chair, Assembly Committee on Ways and Means
103 West State Capitol
Madison, WI 53702

Dear Chairman Lehman:

I am writing to request an excused absence for the December 3, 2003 Ways and Means Executive Session.

If present for the Executive Session, I would vote:

- Assembly Amendment to AB 488 - Aye
- AB 488 as amended - Aye
- SB 6 - No
- SB 305 - Aye
- SB 306 - Aye

Thank you,

Representative Johnnie E. Morris
Member, Assembly Committee on Ways and Means

