

Fiscal Estimate Narratives
DOR 4/3/2009

LRB Number	09-2339/1	Introduction Number	SB-132	Estimate Type	Original
Description Expanding the life of a tax incremental district in the city of Racine					

Assumptions Used in Arriving at Fiscal Estimate

The tax incremental finance (TIF) law permits cities, villages, and, to a limited extent, towns to finance certain public improvements needed to encourage economic development. A municipality must follow statutory procedures when creating a TIF, such as establishing a TIF district project plan, holding public hearings, obtaining approval by a review board composed of various local officials, and adoption of a resolution creating the TIF district as of a certain date.

When a TIF district is created, the equalized value of the taxable property in the district is set as the "base value". Over time, as the TIF district develops, the equalized value of the district will change. To the extent that the current value is greater than the "base value", the positive difference is referred to as the "value increment". The property taxes levied by all local taxing jurisdictions (municipality, county, school district, technical college, and special districts) on the "value increment" are retained by the municipality. These funds are used to repay the costs of developing the TIF district. Once the TIF district development costs are repaid, the municipality terminates the TIF district. After termination, the property taxes on property in the former TIF district are shared with the overlying taxing jurisdictions in full in the same manner as non-TIF property taxes are shared.

In general, depending on the type of TIF district and the date of creation, incremental levies for a TIF district may be collected for no more than 20, 23, or 27 years. In addition, a TIF district is generally prohibited from incurring project costs within 5 years of its statutory termination date.

Under current law, Racine Tax Incremental Financing District #2 (Racine TIF #2) is due to terminate in 2010 and project expenditures were to cease in 2005. Under the bill, the period during which DOR may authorize tax increments for this TID is extended to up to 37 years after the TID's creation (2020) and the period for incurring project costs is extended through 2015.

For the 2008/09 property tax year, the incremental value of Racine TIF #2 was about \$48.5 million, which generated a tax increment of about \$1.11 million. Future years' tax incremental value will depend how the value of taxable property in the district changes over time. Future years' tax increments will depend on both value growth and how the tax rates of the city, county, school district, and technical college district change over time. The Department of Revenue does not have the data to project either values or tax rates for the area covered by this TIF district. Given the existing tax increment in Racine TIF #2, however, the bill is expected to generate a minimum of \$1.1 million of tax increment annually (assuming current tax rates and existing value increment) for up to ten additional years.

The Department of Revenue's administrative costs under the bill are expected to be absorbed within existing budget authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Expanding the life of a tax incremental district in the city of Racine			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$		\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev		Decreased Rev
GPR Taxes	\$		\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$		\$1,110,000
Agency/Prepared By		Authorized Signature	Date
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