Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **09-0844/1**	Introduction Number **SB-081**

Description
Authorizing a city or village to extend the life of a tax incremental district for one year to benefit housing in the city or village

Fiscal Effect

State:

☒ No State Fiscal Effect
☐ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☐ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☐ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate

1. ☐ Increase Costs
   ☐ Permissive ☐ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☒ Towns ☒ Village ☒ Cities
   ☒ Counties ☐ Others
   ☒ School Districts ☒ WTCS Districts

Fund Sources Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/18/2009

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Description Authorizing a city or village to extend the life of a tax incremental district for one year to benefit housing in the city or village		

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.

Under current law, the number of years over which a municipality is permitted to collect incremental levies to repay a TIF district's costs is limited. 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.

Under the bill, upon paying off a TIF district's costs, a municipality would be permitted to collect tax increments for an additional year if the city adopts a resolution to extend the life of the district for a specified number of months and the city forwards a copy of the resolution to the Department of Revenue (DOR). Unlike some other changes to TIF districts, the bill's extension of a TIF district's life would not require approval by the TIF Joint Review Board.

If the life of a TIF district is extended, the municipality must use at least 75% of the additional tax increments to benefit affordable housing in the city. Any funds not used to benefit affordable housing must be used to improve the municipality's housing stock.

The amount of money available for housing under the bill would vary from year to year, depending on the number of TIF districts that close and the incremental value of those districts. In addition, only those municipalities which close a TIF would be able to generate the additional incremental levies permitted under the bill. For the past 3 years, if every municipality that closed a TIF district had chosen to extend the TIF for another year, the additional incremental levy that could have been collected is estimated to be about $22.8 million in 2008, $11.2 million in 2007, and $14.8 million in 2006. If a municipality chooses to exercise the option created under the bill, tax rates of all local overlying taxing jurisdictions would be higher than under current law.

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

Long-Range Fiscal Implications