

Fiscal Estimate Narratives

DOR 2/11/2014

LRB Number	13-3662/1	Introduction Number	AB-0723	Estimate Type	Original
Description Authorizing the village of Biron to allocate positive tax increments from Tax Incremental District Number 2 in the village to Tax Incremental District Number 3 in the village					

Assumptions Used in Arriving at Fiscal Estimate

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 conservation, suitable for industrial sites, or suitable for mixed-use development. Before a city or village may create a TID, several steps and plans are required. These steps and plans include public hearings on the proposed TID within specified time frames, preparation and adaptation by the local planning commission of a proposed project plan for the TID, approval of the proposed project plan by the common council or village board, and adoption of a resolution by the common council or village board that creates the TID as of a date provided in the resolution.

Also under current law, once a TID has been created, the Department of Revenue (DOR) calculates the "tax increment base value" of the TID, which is the equalized value of all taxable property within the TID at the time of its creation. If the development in the TID increases the value of the property in the TID above the base value, a "value increment" is created. That portion of taxes collected on the value increment in excess of the base value is called a "tax increment." The tax increment is placed in a special fund that may be used only to pay back the project costs of the TID. The project costs of a TID, which are initially incurred by the creating city or village, may include costs for public works, such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. The DOR authorizes the allocation of the tax increments until the TID terminates or, generally, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created.

Under certain limited circumstances, a TID that has paid off all of its project costs but has not reached its mandatory termination date may become a donor TID, continue to receive tax increments, and forward those increments to a recipient TID created by the same city or village. Current law requires creation of the donor TID and the recipient TID before October 1, 1995, except for TIDs in first class cities that have a date of October 1, 1996.

This bill creates an exception that allows TID Number 2 in the Village of Biron (Biron) to allocate its positive tax increments to TID Number 3 in the village. The subject donor TID was created in 2006, and the recipient TID was created in 2009, with the maximum life of 20 years for both projects (expiration dates of 01/19/2026 and 08/13/2029 for TID #2 and #3, respectively).

The TID value increment of the TID Number 2 in Biron for the tax year 2013-14 was approximately \$9.4 million, and approximately -\$0.2 million for TID Number 3. The tax rate in Biron, excluding the state forestry tax was 2.67% (a mill rate of 26.7), and the tax increment from TID #2 was approximately \$0.25 million (\$9.4 million x 2.67%) for the same year. According to the analysis done by MSA Professional Services on behalf of Biron, as of January 1, 2013, the total debt balance for TID #2 was approximately \$1.5 million, and it is scheduled to reach a zero balance by 2022, under the assumption that Biron will spend approximately \$0.23 million each year until 2019 and approximately \$61,000 for 2020 and 2021 to pay off the debt. Based on the figures and under the assumption that the tax increment from TID #2 will remain constant after the tax year 2013-14, only a fraction of the tax revenue (\$0.25 million - \$0.23 million) could be transferred to TID #3 before the year 2020. Changes to the tax rate, incremental value, or expenditures for TID #2 may allow additional increments to be transferred to TID #3.

Long-Range Fiscal Implications