

Fiscal Estimate Narratives

DOR 6/15/2017

LRB Number	17-1583/1	Introduction Number	AB-0367	Estimate Type	Original
Description creating a mechanism to determine the income tax increment generated by certain tax incremental financing districts in the city of Milwaukee and authorizing the city to spend a portion of that money on neighborhood economic revitalization					

Assumptions Used in Arriving at Fiscal Estimate

This bill creates a mechanism to determine the income tax increment generated by certain tax incremental districts (TIDs) in the city of Milwaukee and authorizes the city to spend a portion of that revenue on neighborhood economic revitalization.

Once a special tax incremental district is created, the Department of Revenue must determine the income tax incremental base (ITIB) of the district, which is the total amount of wages paid to all employees who work in the special TID in the year in which it was created. DOR is also required to determine the ITIB of an existing special TID as soon as practicable after the effective date of the bill.

For each year that a special TID exists after it is created and for each year that one of the eight specified special TIDs exists after DOR determines its ITIB, DOR must determine the value income increment (VII) and the income tax increment (ITI) that relate to the TID. The VII is the difference between the total amount of wages paid to all employees who work in a special TID in a given year and the ITIB. The ITI is the amount of income taxes paid by employees in a year on the VII.

For each year that the DOR determines the ITI, it is required to forward to the city that created the special TID 50% of the ITI and that city is required to use the money only for neighborhood economic revitalization as defined by the city's governing body.

In determining which areas of the city may benefit from such revitalization, the governing body must take into consideration a number of factors that relate to the area, including crime rate, poverty level, unemployment rate, and percentage of the neighborhood's residents who receive some form of public assistance.

DOR does not collect the information necessary to administer this bill. The department expects to incur \$147,000 in one-time costs and an additional \$92,000 in ongoing costs in order to develop and implement the required forms and procedures.

The Census Bureau maintains the Longitudinal Employer-Household Dynamics (LEHD) program, which captures local area employment data. Based on an analysis of this data for the eight existing eligible TIDs named in the bill, the TIDs accounted for about 1.6% of Milwaukee County jobs in 2014. Milwaukee County accounted for about \$918.8 million in net state income tax, so if the tax is in proportion to the jobs, the TIDs accounted for about \$14.6 million in net tax. Because the bill provisions are specific to wages, and wages account for about 71% of aggregate adjusted gross income in Wisconsin, an approximate wage-related tax liability for the existing TIDs is about \$10.4 million. The base years for the existing TIDs range from 1993 to 2015, so it is necessary to compute the ITI for each TID separately, yielding an approximate value for 50% of the combined ITI of \$1.9 million from the base years to 2017 and \$2.3 million from the base years to 2018. To the extent that employment patterns change, that actual results differ from the LEHD based figures, or that the number of eligible TIDs changes, the transferred amounts could also differ.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): DOR will incur \$147,000 to develop and implement the required forms and procedures		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$92,000	\$
(FTE Position Changes)	(1.0 FTE)	
State Operations - Other Costs		
Local Assistance	1,900,000	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$1,992,000	\$
B. State Costs by Source of Funds		
GPR	1,992,000	
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		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$1,992,000	\$
NET CHANGE IN REVENUE	\$	\$1,900,000
Agency/Prepared By	Authorized Signature	Date
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