

Fiscal Estimate Narratives

DOR 11/28/2017

LRB Number	17-2826/1	Introduction Number	SB-579	Estimate Type	Original
Description increasing a political subdivision's levy limit upon the subtraction of territory from a tax incremental financing district					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, political subdivisions, defined as city, village, town, or county governments, are subject to local levy limits. One of the exceptions to the levy limits involves tax incremental district (TID) terminations. If the Department of Revenue (DOR) does not certify a value increment for a TID for the current year as a result of a termination, the levy limit increase otherwise applicable is increased by an amount equal to the political subdivisions maximum allowable levy for the immediately preceding year, multiplied by a percentage equal to 50 percent of the amount determined by dividing the value increment of the terminated TID, calculated for the previous year, by the political subdivision's equalized value, exclusive of any tax TID value increments, for the previous year.

Under the bill, if DOR recertifies the TID base as a result of the district's subtraction of territory due to plan commission modifying boundaries, the levy limit shall be adjusted in the first year which the subtracted territory is not part of the value increment. The political subdivision shall increase the levy limit otherwise applicable by an amount equal to the political subdivision's maximum allowable levy for the immediately preceding year multiplied by a percentage equal to 50 percent of the amount determined by dividing the value increment amount subtracted, calculated for the previous year, by the political subdivision's equalized value, exclusive of any TID value increments, for the previous year.

In 2016, six political subdivisions, three municipalities and three counties, were impacted by territory subtractions totaling \$670,500 which would have resulted in a combined levy limit increase of approximately \$3,700 (\$2,700 for municipalities and \$1,000 for counties) under the bill. In 2015, 12 political subdivisions, six municipalities and six counties, were impacted by territory subtractions totaling \$36,450,600 which would have resulted in a combined levy limit increase of approximately \$160,100 (\$110,600 for municipalities and \$49,500 for counties) under the bill.

The department can absorb the minimal administrative costs within existing budget authority.

The bill only impacts TIDs with territory subtractions. A subtraction would result in lower tax increments under current law. The levy limit increase would permit slightly higher levies, potentially increasing tax increments in municipalities compared to current law.

Long-Range Fiscal Implications