



State of Wisconsin
2023 - 2024 LEGISLATURE

LRBs0218/1
SWB:amn

**SENATE SUBSTITUTE AMENDMENT 1,
TO SENATE BILL 787**

January 18, 2024 - Offered by Senator MARKLEIN.

1 **AN ACT to amend** 66.0602 (1) (d), 66.0602 (3) (dq) 1. (intro.) and 66.0602 (3) (dv);
2 and **to create** 66.1105 (5) (bu) and 66.1105 (6) (g) 4. of the statutes; **relating**
3 **to:** local levy increase limit calculations and exception to extension of tax
4 incremental district lifespan for a tax incremental financing district created in
5 the city of Evansville and limitations on the total value of taxable property that
6 may be included in a tax incremental financing district created in the city of
7 Evansville.

Analysis by the Legislative Reference Bureau

Under current law, cities and villages may use tax incremental financing (TIF) to encourage development in the city or village. In general, under TIF, a city or village pays for improvements in a tax incremental district (TID) and then collects tax moneys attributable to all taxing jurisdictions on the increased property value in the TID for a certain period of time to pay for the improvements. Ideally, after the period of time, the city or village will have been repaid for its initial investment and the property tax base in the TID will have permanently increased in value.

In general and in brief, a city or village makes use of TIF using the following procedure:

1. The city or village designates an area as a TID and creates a project plan laying out the expenditures that the city or village will make within the TID.

2. The Department of Revenue establishes the “base value” of the TID. This value is the equalized value of all taxable property within the TID at the time of its creation.

3. Each year thereafter, the “value increment” of the property within the TID is determined by subtracting the base value from the current value of property within the TID. The portion of taxes collected on any positive value increment is collected by the city or village for use solely for the project costs of the TID. The taxes collected by the city or village on positive value increments include taxes that would have been collected by other taxing jurisdictions, such as counties or school districts, were the TID not created.

4. Tax increments are collected until the city or village has recovered all of its project costs or until the TID reaches its statutory termination date.

Under current law, a city or village may extend the life of a TID for up to one year for housing stock improvement if all of the following occur:

1. The city or village pays off all of the TID’s project costs.

2. The city or village adopts a resolution stating that it intends to extend the life of the TID, the number of months it intends to do so, and how it intends to improve housing stock.

3. The city or village notifies DOR.

Under the bill, a housing stock improvement extension may not be exercised with regard to TID Number 10 in the city of Evansville.

Under current law, when creating a new TID or amending a TID, a city or village must make a finding that the equalized value of taxable property of the new or amended TID plus the value increment of all existing TIDs in the city or village does not exceed 12 percent of the total equalized value of taxable property in the city or village. Under this bill, TID Number 10 created by the city of Evansville must count as exactly 4 percent of equalized value for purposes of the 12 percent rule.

Generally, under current law, local levy limits are applied to the property tax levies that are imposed by political subdivisions. A political subdivision may not increase its levy by a percentage that exceeds its “valuation factor,” which is the greater of either 1) the percentage change in the political subdivision’s equalized value due to new construction, less improvements removed (net new construction), or 2) 0 percent.

2023 Wisconsin Act 12 changed the standard for determining the “valuation factor” to include only 90 percent of new construction that occurs within TIDs created after December 31, 2024, (covered TIDs) and to exclude any improvements removed within these TIDs. That is, under Act 12, net new construction for a political subdivision is the percentage change in the political subdivision’s equalized value due to new construction, including 90 percent of the value of new construction occurring within a covered TID, less improvements removed, other than improvements removed within a covered TID. The bill expands the standard created by Act 12 to apply to TID Number 10 created by the city of Evansville.

Under current law, when a city or village creates a TID, DOR calculates the “tax incremental 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 this base value, the amount by which the equalized value exceeds the base value is the TID’s “value increment.” The taxes collected on this value increment pay for the project costs of the TID.

Prior to Act 12, the statutes provided for an increase in a political subdivision’s levy limit upon the termination of a TID. If DOR did not certify a value increment for a TID for a year because the TID had terminated, the levy limit of the political subdivision in which the TID is located increased by an amount based on 50 percent of the previous year’s value increment for the TID. (The actual amount was equal to the maximum allowable levy for the preceding year, multiplied by a percentage equal to 50 percent of the amount determined by dividing the terminated TID’s value increment by the political subdivision’s equalized value less any TID value increments.) Also under pre-Act 12 law, a similar increase in levy limit resulted when a political subdivision amended a TID to subtract territory.

Under Act 12, these existing standards for increasing the levy limit of a political subdivision upon the termination or amendment of a TID are limited to TIDs created before January 1, 2025. For TIDs created after December 31, 2024, upon termination or amendment of the covered TID, the political subdivision’s levy limit is increased by an amount based on 10 percent of the TID’s lifetime equalized value increase. (The actual amount is equal to the aggregate of the annual amounts of new construction less improvements removed in the covered TID.) This levy limit increase may be further increased by an amount based on 15 percent of the TID’s lifetime equalized value increase if the TID terminates earlier than anticipated at the time of the covered TID’s creation. The bill applies the standard created by Act 12 for TIDs created after December 31, 2024, to TID Number 10 created by the city of Evansville.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.0602 (1) (d) of the statutes, as affected by 2023 Wisconsin Act 12,
2 is amended to read:

3 66.0602 (1) (d) “Valuation factor” means a percentage equal to the greater of
4 either the percentage change in the political subdivision’s January 1 equalized value
5 due to new construction less improvements removed between the previous year and
6 the current or 0 percent. For a tax incremental district created after December 31,
7 2024, and for Tax Incremental District Number 10 created by the common council

1 of the city of Evansville, the valuation factor includes 90 percent of the equalized
2 value increase due to new construction that is located in a tax incremental district,
3 but does not include any improvements removed in a tax incremental district.

4 **SECTION 2.** 66.0602 (3) (dq) 1. (intro.) of the statutes, as created by 2023
5 Wisconsin Act 12, is amended to read:

6 66.0602 (3) (dq) 1. (intro.) For a tax incremental district created after December
7 31, 2024, and for Tax Incremental District Number 10 created by the common council
8 of the city of Evansville, if the department of revenue does not certify a value
9 increment for the tax incremental district for the current year as a result of the
10 district's termination, the levy increase limit otherwise applicable under this section
11 in the current year to the political subdivision in which the district is located is
12 increased by all of the following amounts:

13 **SECTION 3.** 66.0602 (3) (dv) of the statutes, as created by 2023 Wisconsin Act
14 12, is amended to read:

15 66.0602 (3) (dv) For a tax incremental district created after December 31, 2024,
16 and for Tax Incremental District Number 10 created by the common council of the
17 city of Evansville, if the department of revenue recertifies the tax incremental base
18 of a tax incremental district as a result of the district's subtraction of territory under
19 s. 66.1105 (4) (h) 2., the levy limit otherwise applicable under this section shall be
20 adjusted in the first levy year in which the subtracted territory is not part of the value
21 increment. In that year, the political subdivision in which the district is located shall
22 increase the levy limit otherwise applicable by an amount equal to the political
23 subdivision's maximum allowable levy for the immediately preceding year,
24 multiplied by a percentage equal to 10 percent of the amount determined by dividing
25 the equalized value increase, calculated as provided in par. (dq) 2., attributable to the

1 territory that was subtracted, calculated for the previous year, by the political
2 subdivision's equalized value, exclusive of any tax incremental district value
3 increments, for the previous year, all as determined by the department of revenue.

4 **SECTION 4.** 66.1105 (5) (bu) of the statutes is created to read:

5 66.1105 (5) (bu) The Tax Incremental District Number 10 that is created by the
6 common council of the city of Evansville shall count as exactly 4 percent of equalized
7 value for purposes of the requirement that the total equalized value not exceed 12
8 percent, as described in sub. (4) (gm) 4. c.

9 **SECTION 5.** 66.1105 (6) (g) 4. of the statutes is created to read:

10 66.1105 (6) (g) 4. This paragraph does not apply to Tax Incremental District
11 Number 10 in the city of Evansville.

12

(END)