



2005 SENATE BILL 124

March 18, 2005 - Introduced by Senators KANAVAS, SCHULTZ, STEPP and GROTHMAN, cosponsored by Representatives NISCHKE, JENSEN, KERKMAN, HAHN, GIELOW, KRAWCZYK, PRIDEMORE, VAN ROY, AINSWORTH, BIES, OWENS, F. LASEE and GUNDERSON. Referred to Committee on Job Creation, Economic Development and Consumer Affairs.

1 **AN ACT** *to create* 60.23 (32) and 66.1105 (16) of the statutes; **relating to:**
2 authorizing a town that has entered into a cooperative boundary agreement to
3 use tax incremental financing.

Analysis by the Legislative Reference Bureau

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 suitable for industrial sites. 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 adoption 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 district 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 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 costs of a TID, which are initially incurred by the creating city or village, include public works

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such as sewers, streets, and lighting systems; financing costs; site preparation costs; and professional service costs. DOR authorizes the allocation of the tax increments until the TID terminates or, generally, 23 years, or 27 years in certain cases, after the TID is created, whichever is sooner.

Also under current law, a town may use the separate town TIF law to expend money or incur monetary obligations, other than tax incremental bonds and notes, for a limited number of projects related to tourism, agriculture, manufacturing, or forestry. A town may also use the town TIF law for residential projects, but only to the extent that the residential project has a necessary and incidental relationship to tourism, agriculture, manufacturing, or forestry. Similarly, current law authorizes towns to use the town TIF law for retail projects to the extent that the retail development is related to the retail sale of a product that is produced due to an agriculture, manufacturing, or forestry project.

This bill authorizes a town that has entered into a cooperative plan with a city or village, under which part or all of the town will be annexed by the city or village in the future, to use tax incremental financing. The bill requires the annexing city or village to approve the creation of the town TID. Current law authorizes any combination of cities, villages, and towns to determine the boundary lines between themselves under a cooperative plan that is approved by the Department of Administration.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

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

1 **SECTION 1.** 60.23 (32) of the statutes is created to read:

2 60.23 **(32)** TOWN TAX INCREMENT POWERS. Subject to s. 66.1105 (16), exercise all
3 powers of cities under s. 66.1105. If the town board exercises the powers of a city
4 under s. 66.1105, it is subject to the same duties as a common council under s. 66.1105
5 and the town is subject to the same duties and liabilities as a city under s. 66.1105.

6 **SECTION 2.** 66.1105 (16) of the statutes is created to read:

7 66.1105 **(16)** TAX INCREMENTAL DISTRICTS IN TOWNS. A town may create a tax
8 incremental district under this section if all of the following apply:

