



DAVID STEFFEN

STATE REPRESENTATIVE • 4TH ASSEMBLY DISTRICT

March 2nd, 2021

Chairman Macco and Ways and Means Committee Members,

Thank you for holding a public hearing on AB 56 relating to clarifying that personal property aid payments made to a TIF District transfer to other taxing jurisdictions after the district closes.

The 2017-2019 state budget expanded the personal property tax exemption for machinery, tools, and patterns, not including such items used in manufacturing. At the same time, the state committed to holding local governments harmless by creating a personal property aid program to reimburse cities, villages, towns, counties, and TIF districts for any revenue loss as a result of the expanded personal property exemption.

An issue has arisen with regard to DOR's interpretation of the personal property aid distributions. Department staff has interpreted current state law to mean that any personal property aid payments being made to a TIF district, for exempt personal property existing in the district, terminates when the TID closes.

AB 56 clarifies that following the termination of a tax incremental district, the amount that would have been paid to the TID is distributed to all applicable taxing jurisdictions.

I appreciate your consideration of this bill and I would be happy to answer any questions you may have.

STATE SENATOR KATHY BERNIER
TWENTY-THIRD SENATE DISTRICT



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From: Senator Kathy Bernier
To: The Assembly Committee on Ways and Means
Re: Testimony on Assembly Bill 56

Relating to: distribution of the aid payment for personal property upon termination of a tax incremental district.

Date: March 2, 2021

Chairman Macco and members of the committee, thank you for hearing Assembly Bill 56 today. The League of Wisconsin Municipalities asked me and Representative Steffen to introduce this bill to clean up an oversight in current law covering the personal property tax exemption and Tax Incremental Districts.

I want to note that last session, this bill was unanimously approved by this committee and passed through the Assembly on a voice vote. The bill was also unanimously approved by the Senate Committee on Government Operations, but did not have enough time to make it to the floor for a vote.

Currently, each taxing jurisdiction receives a state aid payment to backfill the personal property taxes that the taxing jurisdictions would have collected on tax exempt computers, machinery, tools, and patterns. When that exemption and payback program was originally enacted, it was worded in such a way so that the paybacks would end at the end of a Tax Incremental District's existence. The bill clarifies that following the termination of a tax incremental district the amount that would have been paid to the tax incremental district is distributed to the other applicable taxing jurisdictions.

I hope you will join me, Representative Steffen and the League of Wisconsin Municipalities in supporting this simple change to ensure that our local municipalities and other jurisdictions continue to receive the backfill property tax payments as the exemption law originally intended. I would be happy to answer any questions you may have.



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To: Assembly Committee on Ways and Means

From: Curt Witynski, J.D., Deputy Director, League of Wisconsin Municipalities

Date: March 2, 2021

Re: AB 56, Ensuring that personal property aid payments made to TIF districts continue after districts close

The League of Wisconsin Municipalities worked with Rep. Steffen and Sen. Bernier to introduce AB 56, which makes clear that personal property aid payments being made to tax incremental districts continue after the districts close. This committee last session voted unanimously to recommend passage of a similar bill, 2019 AB 620, introduced by the same authors. At the end of last session, the full Assembly passed AB 620 by a voice vote and the Senate was poised to vote on it, but cancelled its last regular floor day and did not meet again for regular business due to COVID.

The bill fixes a technical problem with the personal property aid program the Legislature created in 2017-2018 to reimburse taxing jurisdictions, including TIF districts, for the lost revenue caused by exempting machinery, tools, and patterns from the personal property tax.

The bill clarifies that personal property aid payments the state makes to a TIF district continue after the TIF district terminates but transfer to the municipality and other taxing jurisdictions.

The Department of Revenue reads current law to say that any personal property aid payments being made to a TIF district for exempt personal property existing in the district terminate when the TIF district closes. Terminating the aid payments when the district closes makes no sense since:

- The exempt personal property continues to exist in the community after the TIF district closes.
- If the exempt personal property had existed outside a TIF district the community would continue to receive aid payments indefinitely.
- Computer aid payments made to a TIF district transfer to the municipality after the district closes.

AB 56 was drafted using language DOR staff recommended.

The bill also, at DOR's request, clarifies that computer aid payments being made to a TIF district transfer to all other taxing jurisdictions when the district closes. Under current law, computer aid payments transfer to the municipality only. The bill treats computer aid and personal property aid payments made to a TID the same once a district closes.

We urge you to vote to recommend passage of AB 56. Thanks for considering our comments.

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