

STATE SENATOR KATHY BERNIER
TWENTY-THIRD SENATE DISTRICT



State Capitol • P.O. Box 7882 • Madison, WI 53707
Office: (608) 266-7511 • Toll Free: (888) 437-9436
Sen.Bernier@legis.wi.gov • www.SenatorBernier.com

From: Senator Kathy Bernier

To: The Senate Committee on Government Operations, Legal Review & Consumer Protection

Re: Testimony on Senate Bill 76

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

Date: April 13, 2021

Chairman Stroebel and members of the committee, thank you for hearing Senate Bill 76 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 passed the Assembly on a voice vote, and was unanimously approved by this committee, but did not have enough time to make it to the Senate floor for a vote.

Under current law, taxing jurisdictions including municipalities, counties, school districts and tax incremental districts, receive a state aid payment to backfill personal property taxes that these taxing jurisdictions would have collected on tax exempt computers, machinery, tools, and patterns. When this exemption and reimbursement program was originally enacted, it was worded in such a way that reimbursements to a Tax Incremental District would end when the TID terminated. This is a problem because the tax exempt personal property continues to exist within communities after a TID closes, so reimbursements should not end but should be distributed to the remaining applicable taxing jurisdictions. Senate Bill 76 fixes this, clarifying that when a TID ends, reimbursements for tax exempt property will be distributed to the relevant local taxing jurisdictions.

The Assembly Committee on Ways and Means has already adopted the amendment before this committee, which clarifies the application of this bill to previously closed TIDs. However, at the request of DOR, Representative Steffen and I are working on an additional amendment to clarify technical issues and ensure the Department has enough time to calculate and make these retroactive payments.

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.



DAVID STEFFEN

STATE REPRESENTATIVE • 4TH ASSEMBLY DISTRICT

April 13th, 2021

Chairman Stroebel and Government Operations, Legal Review and Consumer Protection
Committee Members,

Thank you for holding a public hearing on SB 76 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.

SB 76 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.



131 W. Wilson St., Suite 505
Madison, Wisconsin 53703
phone (608) 267-2380; (800) 991-5502
fax: (608) 267-0645
league@lwm-info.org; www.lwm-info.org

To: Senate Committee on Government Operations, Legal Review & Consumer Protection
From: Curt Witynski, J.D., Deputy Director, League of Wisconsin Municipalities
Date: April 13, 2021
Re: SB 76, 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 SB 76, which makes clear that personal property aid payments being made to tax incremental districts continue after the districts close. The Assembly passed a similar bill late last session 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.

The amendment to the bill makes the treatment of personal property aid payments when a TID closes retroactive to districts that have closed since the inception of personal property aid payments.

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

YOUR VOICE. YOUR WISCONSIN.