



2011 ASSEMBLY BILL 105

April 26, 2011 – Introduced by Representatives KERKMAN, STEINBRINK and BARCA, cosponsored by Senator WIRCH. Referred to Committee on Ways and Means.

1 **AN ACT** *to amend* 66.1105 (4) (gm) 4. c.; *to repeal and recreate* 66.1105 (17)
2 (title); and *to create* 66.1105 (17) (a) (title), 66.1105 (17) (b) (title) and 66.1105
3 (17) (c) of the statutes; **relating to:** creating an exception to certain
4 requirements in the creation of or amendment to a tax incremental financing
5 district in the village of Pleasant Prairie.

Analysis by the Legislative Reference Bureau

Under the current tax incremental financing 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 conservation, suitable for industrial sites, or suitable for mixed-use development. Currently, towns and counties also have a limited ability to create a TID under certain circumstances. 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, approval of the city's or village's proposed TID by a joint review board that consists of members who represent the overlying taxation districts, and adoption of a resolution by the common council or village board that creates the TID 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 incremental base" value of the TID, which is the

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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 in excess of the base value 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 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, 20 years, 23 years, or 27 years after the TID is created, depending on the type of TID and the year in which it was created. Under certain circumstances, the life of the TID and the allocation period may be extended.

Under current law, a planning commission may adopt an amendment to a project plan, which requires the approval of the common council or village board and the same findings that current law requires for the creation of a new TID. Current law also authorizes the amendment of a project plan up to four times during a TID’s existence to change the district’s boundaries by adding or subtracting territory.

Currently, before a TID may be created or its project plan amended, the city or village must adopt a resolution containing a finding that the equalized value of taxable property of the TID plus the value increment of all existing TIDs does not exceed 12 percent of the total equalized value of taxable property in the city or village (the “12 percent test”), subject to one exception. Under the exception, a city or village may simultaneously create a new TID and subtract territory from an existing TID without adopting a resolution containing the 12 percent test if the city or village demonstrates to DOR that the value of the territory that is subtracted at least equals the amount that DOR believes is necessary to ensure that, when the new TID is created, the 12-percent test is met. The city or village must also certify to DOR that no other district created under this exception currently exists in the city or village.

Under this bill, the calculation of the 12 percent test is changed for the village of Pleasant Prairie. Under the bill, if the village wants to create a new TID, the sum of the equalized value of taxable property of the district; the value increment of all existing districts in the village, other than Tax Incremental District Number 2; and 1.33 times the tax incremental base of Tax Incremental District Number 2 may not exceed 12 percent of the total equalized value of taxable property within the village. A similar modification exists if the village wants to amend the project plan of a district by adding territory to the district.

For further information see the *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.** 66.1105 (4) (gm) 4. c. of the statutes is amended to read:

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1 66.1105 (4) (gm) 4. c. Except as provided in subs. (10) (c) and (17), the equalized
2 value of taxable property of the district plus the value increment of all existing
3 districts does not exceed 12 percent of the total equalized value of taxable property
4 within the city. In determining the equalized value of taxable property under this
5 subd. 4. c. or sub. (17) (c), the department of revenue shall base its calculations on
6 the most recent equalized value of taxable property of the district that is reported
7 under s. 70.57 (1m) before the date on which the resolution under this paragraph is
8 adopted. If the department of revenue determines that a local legislative body
9 exceeds the 12 percent limit described in this subd. 4. c. or sub. (17) (c), the
10 department shall notify the city of its noncompliance, in writing, not later than
11 December 31 of the year in which the department receives the completed application
12 or amendment forms described in sub. (5) (b).

13 **SECTION 2.** 66.1105 (17) (title) of the statutes is repealed and recreated to read:

14 66.1105 (17) (title) EXCEPTIONS TO THE 12 PERCENT LIMIT.

15 **SECTION 3.** 66.1105 (17) (a) (title) of the statutes is created to read:

16 66.1105 (17) (a) (title) *Subtraction of territory, creation of new district.*

17 **SECTION 4.** 66.1105 (17) (b) (title) of the statutes is created to read:

18 66.1105 (17) (b) (title) *Limits on creation of new district.*

19 **SECTION 5.** 66.1105 (17) (c) of the statutes is created to read:

20 66.1105 (17) (c) *Village of Pleasant Prairie exception.* With regard to the 12
21 percent limit described under sub. (4) (gm) 4. c., the following limit applies to the
22 village of Pleasant Prairie:

23 1. If the village would like to create a new district, the sum of the following
24 amounts may not exceed 12 percent of the total equalized value of taxable property
25 within the village: the equalized value of taxable property of the district; the value

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1 increment of all existing districts in the village, other than Tax Incremental District
2 Number 2; and 1.33 times the tax incremental base of Tax Incremental District
3 Number 2.

4 2. If the village would like to amend the project plan of an existing district to
5 add territory to that district, the sum of the following amounts may not exceed 12
6 percent of the total equalized value of taxable property within the village: the
7 equalized value of the taxable property to be added to the district; the value
8 increment of all existing districts in the village, other than Tax Incremental District
9 Number 2; and 1.33 times the tax incremental base of Tax Incremental District
10 Number 2.

11 (END)