



State of Wisconsin
2013 - 2014 LEGISLATURE



LRB-0186/2
MES:sac:ph

2013 ASSEMBLY BILL 4

February 1, 2013 – Introduced by Representatives KLEEFISCH, BROOKS and SPIROS, cosponsored by Senator S. FITZGERALD. Referred to Committee on State and Local Finance.

1 **AN ACT** *to renumber* 66.1105 (14); *to amend* 66.1105 (6) (e) 1. a., 66.1105 (6) (f)
2 1. a. and 66.1105 (14) (title); and *to create* 66.1105 (6) (h) and 66.1105 (14) (b)
3 of the statutes; **relating to:** modifying the requirements for sharing tax
4 increments by tax incremental districts and limiting the participation of
5 certain special purpose districts in tax incremental district financing.

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 project 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. Also under current law, a city or village may not generally make expenditures for project costs later than five years before the unextended termination date of the TID. Under certain circumstances, the life of the TID, the expenditure period, and the allocation period may be extended.

A TID is required to terminate, under current law and with some exceptions, once its project costs are paid back. Under one of the exceptions, which is limited to certain circumstances, after a TID pays off its project costs, but not later than the date on which it must otherwise terminate, the planning commission may allocate positive tax increments generated by the TID (the "donor" TID) to another TID (the "donee" TID) that has been created by the planning commission. To share tax increments in this way, current law requires that the donor and donee TIDs must have the same overlying taxing jurisdictions.

Under this bill, for a TID that exists on the effective date of the bill, TIDs may share tax increments notwithstanding the fact that they do not have the same overlying taxation jurisdictions if their dissimilarity is because one of the districts includes a lake sanitary district, a public inland lake protection and rehabilitation district, or a town sanitary district (collectively, special districts).

Also under the bill, for TIDs that are created on or after the bill takes effect, special districts may not participate in the financing of a TID.

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 (6) (e) 1. a. of the statutes is amended to read:

2 66.1105 **(6)** (e) 1. a. The Except as provided in par. (h), the donor tax
3 incremental district, the positive tax increments of which are to be allocated, and the
4 recipient tax incremental district have the same overlying taxing jurisdictions.

5 **SECTION 2.** 66.1105 (6) (f) 1. a. of the statutes is amended to read:

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1 66.1105 (6) (f) 1. a. ~~The Except as provided in par. (h), the donor tax incremental~~
2 district, the positive tax increments of which are to be allocated, and the recipient
3 tax incremental district have the same overlying taxing jurisdictions.

4 **SECTION 3.** 66.1105 (6) (h) of the statutes is created to read:

5 66.1105 (6) (h) With regard to a tax incremental district which exists on the
6 effective date of this paragraph [LRB inserts date], positive tax increments
7 generated by one district may be allocated to another district, as described under
8 pars. (e) and (f), if the two districts do not have the same overlying taxation districts
9 because either the donor or recipient district includes one or more of the following:

10 1. A lake sanitary district, as defined in s. 30.50 (4q).

11 2. A public inland lake protection and rehabilitation district organized under
12 ch. 33.

13 3. A town sanitary district organized under subch. IX of ch. 60.

14 **SECTION 4.** 66.1105 (14) (title) of the statutes is amended to read:

15 66.1105 (14) (title) USE OF TAX INCREMENTAL FINANCING FOR INLAND LAKE
16 PROTECTION AND REHABILITATION PROHIBITED, ~~LIMITING PARTICIPATION OF CERTAIN LAKE~~
17 AND SANITARY DISTRICTS.

18 **SECTION 5.** 66.1105 (14) of the statutes is renumbered 66.1105 (14) (a).

19 **SECTION 6.** 66.1105 (14) (b) of the statutes is created to read:

20 66.1105 (14) (b) For a tax incremental district that is created on or after the
21 effective date of this paragraph [LRB inserts date], none of the following special
22 purpose districts may participate in the financing of a tax incremental district:

23 1. A lake sanitary district, as defined in s. 30.50 (4q).

24 2. A public inland lake protection and rehabilitation district organized under
25 ch. 33.

