



DOA:.....Quinn, BB0288 - TIF equalized value limit

FOR 2025-2027 BUDGET -- NOT READY FOR INTRODUCTION

AN ACT ...; relating to: the budget.

Analysis by the Legislative Reference Bureau

LOCAL GOVERNMENT

TIF 12 percent rule exception

Under current law, cities and villages may use tax incremental financing (TIF) to encourage development in the city or village. In general, under TIF, a city or village pays for improvements in a tax incremental district (TID) and then collects tax moneys attributable to all taxing jurisdictions on the increased property value in the TID for a certain period of time to pay for the improvements. Ideally, after the period of time, the city or village will have been repaid for its initial investment and the property tax base in the TID will have permanently increased in value.

In general and in brief, a city or village makes use of TIF using the following procedure:

1. The city or village designates an area as a TID and creates a project plan laying out the expenditures that the city or village will make within the TID.
2. DOR establishes the “base value” of the TID. This value is the equalized value of all taxable property within the TID at the time of its creation.
3. Each year thereafter, the “value increment” of the property within the TID is determined by subtracting the base value from the current value of property within the TID. The portion of taxes collected on any positive value increment is collected by the city or village for use solely for the project costs of the TID. The taxes collected by the city or village on positive value increments include taxes that would have been collected by other taxing jurisdictions, such as counties or school districts, were the TID not created.
4. Tax increments are collected until the city or village has recovered all of its project costs or until the TID reaches its statutory termination date.

Under current law, when creating a new TID or amending a TID, a city or village must make a finding that the equalized value of taxable property of the new or amended TID plus the value increment of all existing TIDs in the city or village does not exceed 12 percent of the total equalized value of taxable property in the city or village. Under this bill, in lieu of making the 12 percent finding, a city or village may certify to DOR that 1) TIDs with sufficient value increments will close

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within one year after certification so that the city or village will no longer exceed the 12 percent limit and 2) the city or village will not take any actions that would extend the life of any TID under item 1.

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:

SECTION 1. 66.1105 (4) (gm) 4. c. of the statutes is amended to read:

66.1105 (4) (gm) 4. c. Except as provided in subs. (10) (c), (16) (d), (17), (18) (c) 3., (20) (b), and (20m) (d) 1., the equalized value of taxable property of the district plus the value increment of all existing districts does not exceed 12 percent of the total equalized value of taxable property within the city or that sub. (17) (h) applies. In determining the equalized value of taxable property under this subd. 4. c., the department of revenue shall base its calculations on the most recent equalized value of taxable property of the district that is reported under s. 70.57 (1m) before the date on which the resolution under this paragraph is adopted. If the department of revenue determines that a local legislative body exceeds the 12 percent limit described in this subd. 4. c. and that sub. (17) (h) does not apply, the department shall notify the city of its noncompliance, in writing, not later than December 31 of the year in which the department receives the completed application or amendment forms described in sub. (5) (b).

SECTION 2. 66.1105 (17) (h) of the statutes is created to read:

66.1105 (17) (h) *Forthcoming termination*. If a city certifies all of the following to the department of revenue, the department may certify the tax incremental base under sub. (5) (d) notwithstanding the equalized value of taxable

BILL**SECTION 2**

property of the district plus the value increment of all existing districts exceeding 12 percent of the total equalized value of taxable property within the city:

1. That, not later than one year after the certification under this paragraph, districts having sufficient value increments will terminate so that the city will no longer exceed the 12 percent limit described under sub. (4) (gm) 4. c.

2. That the city will not take any action that would extend the life of any district whose termination is necessary to satisfy subd. 1.

(END)