

SG:ty

12/4/2014

1 **AN ACT** *to amend* 66.1105 (2) (aj) and (5) (a); and *to create* 66.1105 (5) (j) of the
2 statutes; **relating to:** redetermination of base value for tax incremental districts.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

JOINT LEGISLATIVE COUNCIL PREFATORY NOTE: This draft was prepared for the Joint Legislative Council’s Study Committee on Review of Tax Incremental Financing (TIF).

Under current law, following the creation of a tax incremental district (TID), the Department of Revenue (DOR) determines the equalized value of the taxable property within the district. This value is referred to as the TID’s “base value”. Typically, during the TID’s lifespan, property values of the property in the TID will rise above the base value, and the portion of taxes collected on the increase in value of property located in the TID will be used to pay back the project costs of the TID.

Current law, as affected by 2013 Wisconsin Act 183, addresses the situation where the values of property in a TID do not rise as expected, but instead fall. Under this Act, a local legislative body of a city or village may, subject to joint review board (JRB) approval, request that DOR redetermine the base value of a TID that is in a “decrement situation” that continues for at least 2 consecutive years. A “decrement situation” is defined as a decline in current value of TID property of at least 10 percent compared to the current base value of the TID. A local legislative body may request redetermination of the base value of a TID in a decrement situation once during the lifespan of the TID, and DOR may, impose a fee of \$1,000 for the redetermination. Additionally, prior to redetermination by DOR, the local legislative body must conduct a financial analysis of the TID, and must amend the TID project plan to satisfy at least one of the following requirements:

- With regard to the total value of public infrastructure improvement in the district that occurs after JRB approval, that at least 51 percent of the value of the improvements must be financed by a private developer or other private entity in return for the city or villages agreement to repay those costs solely through the payment of cash grants, and that cash grants must be paid via a development agreement with the city or village.

- That all project costs are expected to be paid within 90 percent of the TID's remaining life.
- That expenditures may be made only within the first half of the TID's remaining life, unless approved by unanimous vote of the JRB, and subject to the generally applicable limitations or the timing of expenditures under TIF law.

[s. 66.1105 (5) (i), stats.]

The Draft

The draft proposes an alternative process for redetermining the base value of a TID. The draft would authorize a local legislative body to request redetermination any time that a TID is in a decrement situation for a single year. Under the draft, a local legislative body's ability to require redeterminations under the alternative process must first be included in the TID's project plan, resulting in JRB approval of the possibility of redetermination but not each specific resolution for redetermination. The ability of a local legislative body to request multiple redeterminations also must be specifically stated in the project plan. Under the draft, the \$1,000 fee to DOR would apply to each redetermination.

1 **SECTION 1.** 66.1105 (2) (aj) and (5) (a) of the statutes are amended to read:

2 66.1105 (2) (aj) "Decrement situation" means a situation in which the aggregate value,
3 as equalized by the department of revenue, of all taxable property located within a tax
4 incremental district on or about the date on which a resolution is adopted under sub. (5) (h)
5 1. or (j) 1. is at least 10 percent less than the current tax incremental base of that district.

6 (5) (a) Subject to sub. (8) (d), upon the creation of a tax incremental district, upon
7 adoption of any amendment subject to par. (c), or upon the adoption and approval of a
8 resolution under par. (h), or upon the adoption of a resolution under par. (j). its tax incremental
9 base shall be determined or redetermined as soon as reasonably possible. The department of
10 revenue may impose a fee of \$1,000 on a city to determine or redetermine the tax incremental
11 base of a tax incremental district under this subsection, except that if the redetermination is

1 based on a single amendment to a project plan that both adds and subtracts territory, the
2 department may impose a fee of \$2,000.

3 **SECTION 2.** 66.1105 (5) (j) of the statutes is created to read:

4 66.1105 (5) (j) 1. Subject to subd. 2., a local legislative body may adopt a resolution
5 requiring the department of revenue to redetermine the tax incremental base of a district that
6 is in a decrement situation.

7 2. A local legislative body may adopt a resolution relating to redetermination under this
8 paragraph only if the project plan authorizes, or is amended to authorize, the redetermination.
9 A local legislative body may adopt multiple resolutions for redetermination under this
10 paragraph only if the project plan or amendment specifically authorizes multiple resolutions.

11 3. Upon adoption of a resolution by a local legislative body under subd. 1., the
12 department of revenue shall redetermine the tax incremental base of the district under par. (a).

NOTE: The above provision refers to the definition of a “decrement situation” in s. 66.1105 (2) (aj), stats., which is defined as a decline in current value of TID property of at least 10 percent compared to the current base value of the TID.

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(END)