2013 ASSEMBLY BILL 747

1 AN ACT *to create* 66.1105 (19) of the statutes; **relating to:** creating special

2 provisions for a city or village to create a tax incremental district in recently

3 annexed territory.

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 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.

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, subject to certain limitations and conditions, a city may create a TID in territory that it has recently annexed from a town. The following provisions apply to a TID that is created in former town territory:

1. The TID must terminate in seven years or when its project costs are paid off, whichever comes first.

2. The TID may not share increments with another TID created by that city.

3. Until 2016, the 12 percent limit does not apply to a city that creates such a TID.

4. The TID may make expenditures until October 1, 2016.

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 (19) of the statutes is created to read:

2   66.1105 **(19)** CREATION OF A DISTRICT IN RECENTLY ANNEXED TOWN TERRITORY. (a)

3   *Authorization.* If, within 90 days of annexing town territory, a city holds a hearing

4   under sub. (4) (a) on the proposed creation of a tax incremental district that is to be

1 located in that former town territory, the city may create a tax incremental district

2 under this section subject to the limitations and conditions in this subsection.

3   (b) *Limitations and conditions.* 1. Nothwithstanding sub. (7), a district created

4 under this subsection must terminate upon the earlier of 7 years after the district's

5 creation or when the city has received aggregate tax increments with respect to the

6 district in an amount equal to the aggregate of all project costs under the project plan

7 and any amendments to the project plan for the district.

8   2. A district created under this subsection may not allocate positive tax

9 increments to another district as described in sub. (6) (e) or (f).

10   3. The 12 percent limit described in sub. (4) (gm) 4. c. does not apply to a district

11 created under this subsection until 2016.

12   4. Notwithstanding the limit on expenditures described in sub. (6) (am) 1., a

13 district created under this subsection may make expenditures until October 1, 2016.

14   **(END)**