



EHLERS
LEADERS IN PUBLIC FINANCE



Strengthening
Communities
Together

Potential TIF Law Changes

April 23, 2015



Background

- Legislative Council Study Committee on the Review of Tax Increment Financing formed in May of 2014
- Membership
 - Senators Gudex (Chair) and Jauch
 - Representatives Kuglitsch, Loudenbeck (Vice Chair), Ohnstad & Zepnick
 - Twelve citizen members with backgrounds in local government, public finance, economic development, public policy and planning

Committee's Charge & Scope

- The Special Committee is directed to study and review the intent behind tax incremental financing (TIF) laws and how the TIF laws are utilized by cities, villages, towns, and counties
- The committee shall also evaluate current TIF laws and recommend legislation that could improve their effectiveness and study how they impact a local governmental unit's finances and property taxes; economic and community development; and job growth

Process

- Met five times between July and November of 2014
- First two meetings devoted to receiving testimony and information from:
 - Legislative Council and Department of Revenue staff
 - Municipal economic development professionals
 - Municipal management and finance professionals
 - Developers
 - Municipal consultants
- Committee developed 17 proposals for TID law amendments
- Reduced and consolidated their proposals to 8 draft statutory changes that were voted on by the committee

Technical Corrections (SB-50) [WLC:0049/1]

- Clarifies that the maintenance of industrial zoning requirement applies only to industrial TIDs (and not to mixed use TIDs)
- Changes public hearing notice requirement from Class 2 to Class 1 for TID amendments
- Deletes obsolete references in the TID law as identified by DOR
- Eliminates creation date “timing penalty” (not retroactive)
- Extends timeframe for Final JRB meeting from 30 to 45 days
- Requires DOR to use TID OUT value when calculating the allowable levy limit increase following TID closure

Annual Reports (SB-51) [WLC:0048/1]

- Current law requires submission of an annual report to overlapping taxing jurisdictions by May 1 annually
- Study Committee Recommendation
 - Extend reporting deadline to July 1 with ability to request extension through DOR
 - Prescribe minimum report content
 - Require JRBs to convene annually to review the annual report and to remain standing for the life of the TID
 - Require DOR to post reports on its website
 - Impose a \$100 per day fine for late reports where an extension has not been granted

Increment Sharing (SB-52) [WLC:0047/1]

- Current law:
 - Donors and recipients must have same overlapping taxing jurisdictions
 - Eligible recipients limited to blighted area, in need of conservation or rehabilitation, distressed and severely distressed TIDs
- Study Committee Recommendation
 - Eliminate lake sanitary, public inland lake protection and rehabilitation, and town sanitary districts from overlap requirement
 - Make all types of TIDs eligible recipients

Adverse Impact (SB-53) [WLC:0043/1]

- Study Committee Recommendation
 - Permit five-year extensions to TID life where tax increment collections are adversely impacted by:
 - Prospective changes to the TID law
 - DOR valuation methodology changes
 - Technical college levy reductions (2013 Wisconsin Act 145)
 - Extension would be available in addition to the three and four year extensions currently available for certain TIDs
 - An additional territory amendment would also be available in cases where the four permitted per TID under current law had already been utilized

Vacant Land & Municipal Land (SB-54) [WLC:0041/1]

- Current law:
 - Restricts vacant land in “blighted area” and “in need of conservation or rehabilitation” TIDs to 25%
 - Requires that tax-exempt land owned by the municipality creating the TID be assigned a value if not being held for a public purpose (thus creating an immediate decrement)
- Study Committee Recommendation
 - Eliminate vacant land test
 - Eliminate requirement to assign value to tax-exempt land
 - Both changes would apply only to TIDs created after effective date

Valuation Test (SB-55) [WLC:0019/1]

- Current law valuation test requires that the base value of the proposed TID or territory addition, plus the increment value of any existing TIDs, be less than 12% of TID IN equalized value
- Study Committee Recommendation
 - Increase limit from 12% to 15%

Distressed TID (SB-56) [WLC:0017/1]

- Current law allowing a TID to be declared “distressed” or “severely distressed” sunsets on October 1, 2015
- Study Committee Recommendation
 - Extend sunset provision to October 1, 2020

Base Value Redetermination (SB-57) [WLC:0015/2]

- 2013 Wisconsin Act 183 created authority to reset TID base value one time when a TID has been in a “decrement” situation for two successive years
- Study Committee Recommendation
 - Permit single, or multiple redeterminations as long as that possibility is identified in TID project plan or an amendment thereto.
 - JRB approval required for project plan or plan amendment, but not for individual redetermination(s)
 - Single year of decrement permits a redetermination

Base Value Redetermination (SB-64)

- Did not originate from Study Committee
- Modifies the legislation enacted last year to **remove** requirement to select one of three restrictions to impose on a TID that resets its base
 - Public improvements must be at least 51% developer funded
 - Reduce expenditure period to one-half of the remaining TID life
 - Shorten TID life by 10% of its remaining life

Legislative Status

Bill Number	Subject	Introduced	Committee	Hearing Date	Committee Approval	Senate Approval	Assembly Concurrence	Signed	Effective Date
SB50	Technical Corrections	2/27/2015	ED & Commerce	3/25/2015					
SB51	Annual Reports	2/27/2015	ED & Commerce						
SB52	Increment Sharing	2/27/2015	ED & Commerce						
SB53	Adverse Impact	2/27/2015	ED & Commerce						
SB54	Vacant & Municipal Land	2/27/2015	ED & Commerce	3/25/2015					
SB55	Valuation Test	2/27/2015	ED & Commerce						
SB56	Distressed TID	2/27/2015	ED & Commerce						
SB57	Base Value Redetermination	2/27/2015	ED & Commerce	3/25/2015					
SB64	Base Value Redetermination (Old Law Fix)	3/4/2015	Rev, Financial Institutions & Rural Issues	3/31/2015					