



Local Government Funding: Impacts of Act 12 on TIF & Levy Limits

MTAW 2023 Fall Conference

Today's Agenda



TIF Background



TIF Use



Act 12 Impacts on TIF



Levy Limits Background



Act 12 Impacts on Levy Limits



Act 12 Impacts on Expenditure Restraint



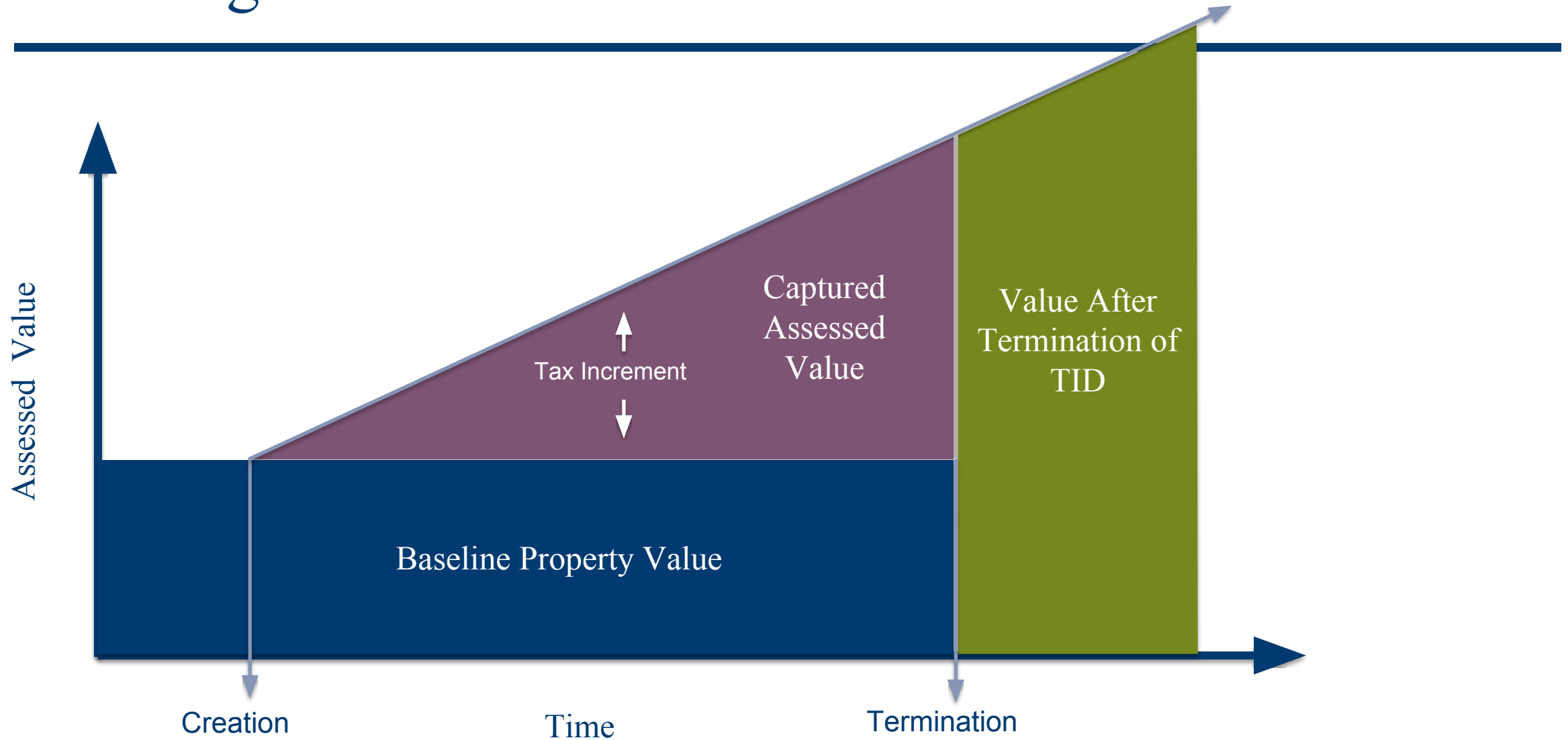
Tax Increment Financing 101

BACKGROUND

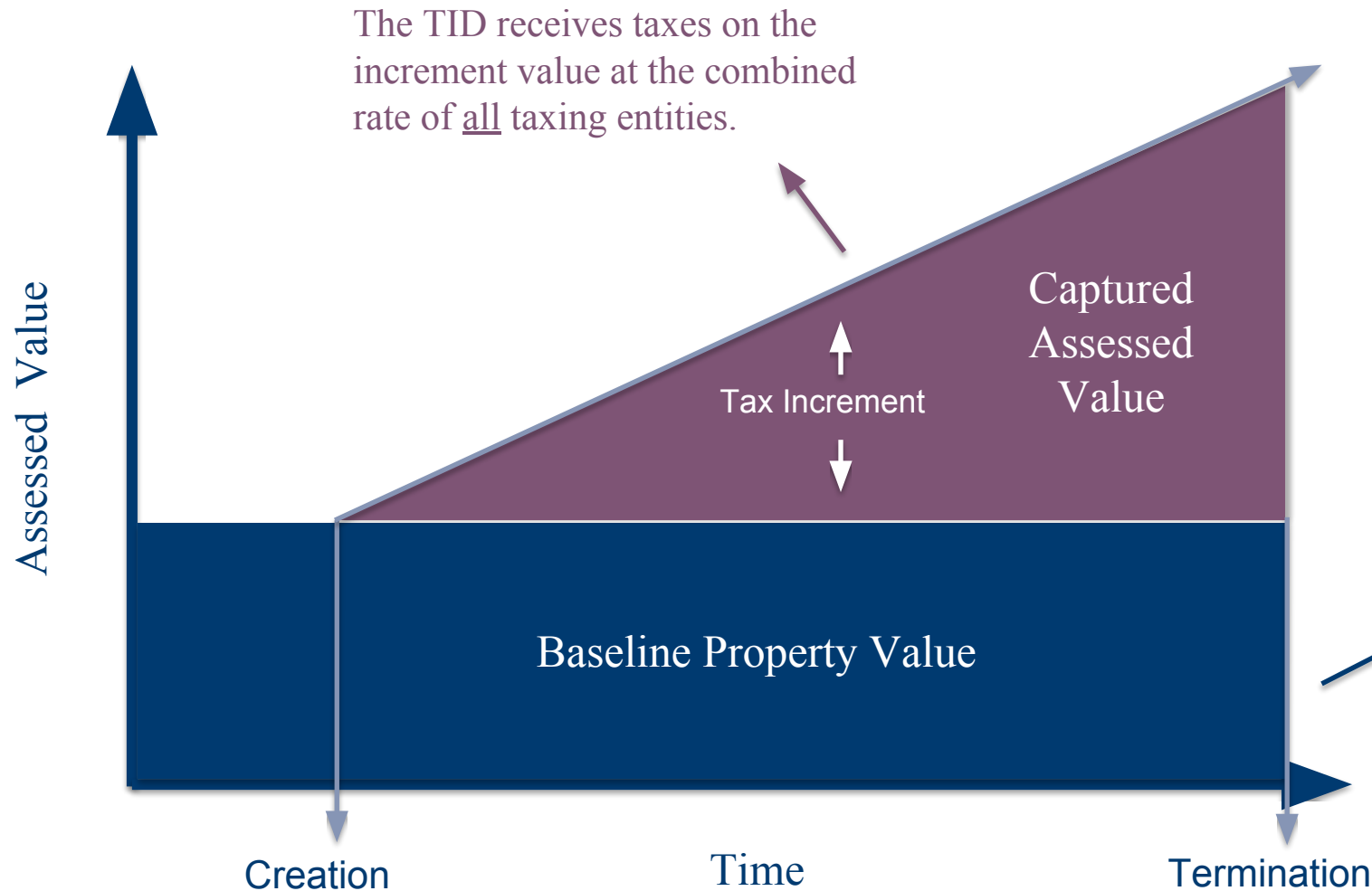
What is Tax Increment Financing?

- Key acronyms:
 - ✓ TIF = Tax Increment Financing (*the tool*)
 - ✓ TID = Tax Increment District (*where the tool is used - boundary*)
- Powerful economic development tool
- Allows municipalities to capture incremental **property tax revenue** from **growth** in defined area & use it to **benefit** that area

Building Blocks: TIF Cash Flows



Building Blocks: TID Tax Levies



Jurisdiction	Mill Rate
Local	\$6.50
County	\$4.00
School	\$7.50
VTAE	\$2.00
TOTAL	\$20.00

All taxing jurisdictions within TID boundary continue to receive their share of the tax levy on the base value of the TID.

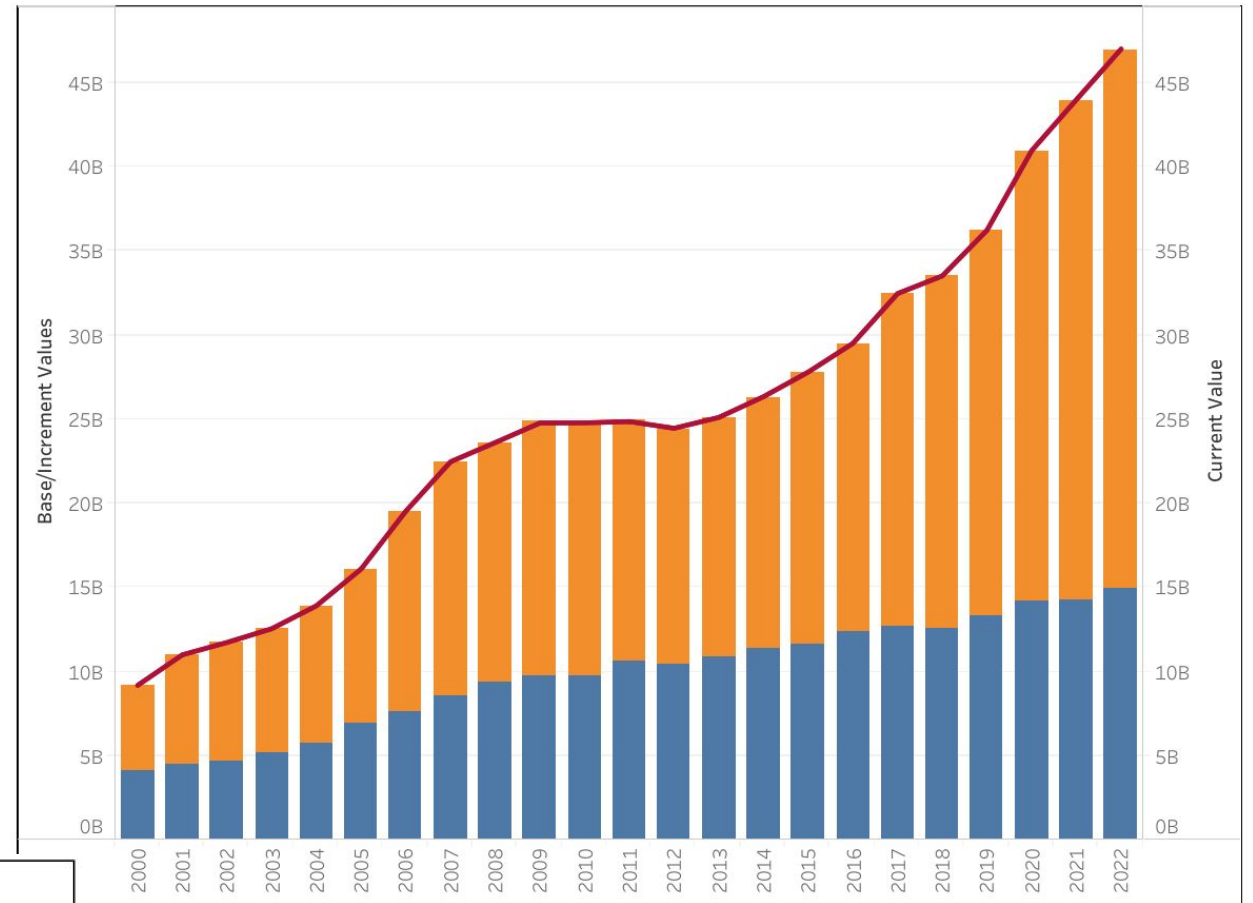
Why use TIF?

THE INTENT

- | | |
|--|--|
| ✓ Require cost participation amongst all taxing jurisdictions that ultimately benefit from increased property values | ✓ Promote economic development and redevelopment |
| ✓ Address lack of other incentives and financial resources | ✓ Promote cooperation between public and private sectors |
| ✓ Counteract economic downturn (mid-70's recession) | |

TIF in Wisconsin

- Original program created by State Legislature in 1975
- \$32.1 billion in incremental property value as of 1/1/2022 (about 4.3% of all property value in state)
- 1,348 TIDs as of 12/1/2022



Source: [WI DOR: Division of Research & Policy](#)

TID Creation Procedure

- Feasibility study (Project Plan)
- Initial Joint Review Board (JRB) meeting
- Public hearing of Plan Commission
- Governing body approval (official “Creation Date”)
- Final JRB approval
- State approval (procedural & legal review)



TIF District Creation Team

- Municipal Attorney letter of review needed for TID creation
- Joint Review Board
 - ✓ Municipal member
 - ✓ Public member
 - ✓ School District member
 - ✓ Technical College member
 - ✓ County member
- Municipal Advisor helps plan, coordinate required components



Legislative Change Impacting New TIDs

- 2023 Act 12 modifies how growth in new TIDs treated under levy limits
 - ✓ Applies to TIDs created on October 1, 2024 & later
 - 2025 base value
 - ✓ Levy limit increase based on new (NOT net new) construction
 - Value of removed improvements excluded
 - May benefit redevelopment TIDs
 - ✓ Only receive 90% of new construction at time it occurs
 - Remaining 10% deferred to TID closure

Section A: TID Closure Percentage - "Old" Rule

Final TID Incremental Value	15,000,000
TID OUT Estimated Value	500,000,000
Final Value as Percent of TID OUT EV	3.00%
Multiplied by 50%	1.50%

- Adjustment made in year following last year an incremental value is certified – e.g., if last incremental value is 1-1-2024, adjustment reflected on 2025 worksheet for 2026 budget
- Adjustment also made on subtraction of territory from TID using incremental value of removed parcels

Section A: TID Closure Percentage - "New" Rule

- If TID closes within 75% or less of expected termination date, 10% adjustment increases to 25%
- Per statute, expected termination date determined by Joint Review Board
 - ✓ DOR likely to require date as part of approval resolution and will be based on cash flow projection included in Project Plan
- Due to reduced closure percentages & use of only new construction discounting any economic appreciation, closure benefit for newly established TIDs will be lower vs. previous statute

Section A: TID Closure Percentage - "New" Rule

- 2023 Act 12 impacts TID closure adjustment
 - ✓ Applies to TIDs created October 1, 2024 & later
 - 2025 base value
 - ✓ 10% of new construction occurring in the TID during its life applies vs. final incremental value

New Construction During TID Life	10,000,000
TID OUT Estimated Value	500,000,000
New Construction as Percent of TID OUT EV	2.00%
Multiplied by 10%	0.20%



Act 12 Impacts

LEVY LIMITS & EXPENDITURE RESTRAINT

Constraints on Local Government Levies

What Hasn't changed:

Current limit:

- The prior year's actual levy may be increased by percentage equal to net new construction in the preceding year (or zero, if none)
- Subject to numerous adjustments that may reduce or increase allowable levy

County Rate Limits:

- Operating levy rate limits permanently repealed in 2013
- Debt levy rate limits still apply

Constraints on Local Government Levies

What Hasn't changed, cont...

TID Closure: Existing Through 9-30-24:

- It is base building, is not subtracted out the next year.
- Use it or lose it: only appears on worksheet year after closure.

TID Closure: Existing Through 9-30-24:

- Levy limit increase based on 50% of net new construction (earlier calculation)

Personal Property

Act 12 eliminates all personal property taxation as of 1/1/24.

Aid Payments

- Municipalities will receive in 2024 to replace lost tax revenue based on 2023 tax receipts
- Payments are fixed & will not increase

Levy Limit Worksheet

- Aid payment added to levy when applying net new construction & TID closure increases, then removed
- Same process as current aid payments

Personal Property: TID Impacts

For TIDs created on or after 10/1/23

- Personal property no longer exists
- Not part of base value

For existing TIDs

- Any incremental personal property value will be removed from 1/1/24 value increment
- TID will receive aid payment in 2024 in same manner as previously exempted personal property

Personal Property: TID Impacts, cont...

- If personal property was part of an existing TID base value and *not* previously exempted under 2017 Act 59 (machinery, tools and patterns):
 - ✓ Municipality can request DOR to lower TID base value
 - ✓ Since you also will receive aid payment, lowering base value may be advantageous
 - ✓ DOR provided guidance, request form & FAQs on 8/30/23
 - Requests filed by 10/31/23 = 1/1/24 adjustment
 - Requests filed by 10/31/24 = 1/1/25 adjustment

Expenditure Restraint Program (ERP)

Normal ERP eligibility criteria will not apply to 2024 budget.

Municipalities that qualified for 2024 ERP payment will receive same payment in 2025

Municipalities that didn't qualify for 2024 ERP will not receive payment in 2025

ERP worksheet filed in 2024 will establish new base for 2025 comparison to determine eligibility for 2026 payment

One-year “reset” considers increased shared revenue payments under Act 12 so future ERP qualification accounts for them & related expenditures

Subject to levy limits, provides opportunity to increase expenditures without jeopardizing 2025 ERP payment

Let's Talk!



Your Presenter



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