

A GUIDE TO WISCONSIN'S TAX INCREMENT LAW

Creating A Town District
Approving and Amending Project Plans
Collecting Tax Increments
(Effective October 1, 2004)

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INTRODUCTION

Wisconsin's Tax Incremental Finance (TIF) program was approved by the legislature in 1975, and the first districts (TIDs) were created in 1976. Its purpose is to provide a way for a municipality to promote tax base expansion through its own initiative and effort.

The legislature found municipalities were postponing or canceling public improvements that would allow new development because their taxpayers paid the price, while everyone that shared the expanded tax base profited. Establishing a tax incremental system relieved this inequity. Plus it benefited Wisconsin's people by improving and otherwise promoting their health, safety, welfare, and prosperity.

Effective October 1, 2004 towns were added to the TIF program. Town projects aimed at agricultural, forestry, manufacturing or tourism improvements that would otherwise not have been initiated due to limited funds are now eligible for the TIF program. TIF works because it provides its own financing resource. It is basically a financing tool that a town can use to promote tax base expansion.

When a TIF district is created the aggregate equalized value of taxable and certain municipal owned property is established by the Department of Revenue (DOR). This is called the **Tax Incremental Base**. The town then installs public improvements and property values grow. Taxes paid on the increased value are used to pay for projects undertaken by the town. This is the **Tax Increment**. It is based on the increased values in the TID and levies of all the taxing jurisdictions that share the tax base.

The town, county, school districts, and other taxing jurisdictions do not benefit from taxes collected on value increases in the district until project costs have been recovered. After that, the added value is included in the apportionment process and everyone gains.

The underlying assumption of the TIF Law is that no new development would have taken place if the town had not created the TID. Public improvement costs needed to develop or redevelop the area would have been too prohibitive for the town and/or developer to do alone. So the necessary public works would not have been done. TIF provides a way for all entities benefiting from the expanded tax base to help pay the costs of promoting it.

Provisions of the "TIF Law" are in Wisconsin Statute sections 60.85. The following pages describe how to create a Tax Incremental District, and amend a project plan. It is presented in outline form with statutory references provided for each item. Answers to often asked questions about TIF districts are also included.

CLASS 2 NOTICE REQUIREMENTS

Warning: Failure to comply with the Class 2 Notice requirements will mean DOR cannot certify the Tax Incremental District's Base Value.

Please read the following information carefully.

Wisconsin Statute 985 deals with the publication of legal notices and public newspapers. It says:

- A Class 2 Notice requires two insertions (publications) in the newspaper. [s. 985.07(2)]
- These insertions must take place **once each week for consecutive weeks, with the last one published at least one week before the act or event.** (In this case the event is the public hearing.) [s. 985.01(1m)]
- The computation of time between the last insertion **excludes** the day of publication, and includes the day the public hearing takes place. [s. 985.09(1)].

An example of the timing for a typical Class 2 Notice is shown below. It assumes the newspaper is published weekly.

1st Insertion	- June 6, 2008	(Friday)
2nd Insertion	- June 13, 2008	(Friday)
Hearing Date	- June 20, 2008	(Friday)**

** The earliest date the public hearing could be held with these publication dates

In the above example, there is a week between the first and second newspaper insertions. With a daily paper the two insertions must be in **separate** calendar weeks, but not necessarily seven days apart. *Also note that the hearing date of June 20th is a week after the second insertion, and is the earliest day the public hearing could be held in this case.*

An easy way to determine the earliest date the public hearing may be held is to add '7' to the date the second insertion appears in the newspaper. If the 2nd insertion is on Wednesday, June 25th, the public hearing could not be held before Wednesday, July 2nd. *(The same amount of time is required between the 2nd insertion and the hearing with a daily paper).*

Please consult your municipal attorney for further clarification.

HOW DOES A TOWN CREATE A TAX INCREMENTAL DISTRICT?

When a town decides to establish a TIF district, it must notify the affected taxing entities of its intention and hold public hearings to allow all interested parties to be heard.

There are two ways a town can choose to hold the required public hearings. It can hold separate public hearings, one to consider the boundaries and one for the project plan. Or it can hold a combined hearing. This section will describe each method individually, beginning with the “combined hearing”, which is the simpler and more commonly used method.

In either case the Planning Commission initiates the process. It develops the project plan, holds the public hearings and recommends boundaries. The town board reviews the Planning Commission decisions, approves the project plan, creates the district and determines its boundaries. The Joint Review Board (JRB) must also approve the proposal.

Combined Hearing Method

This method combines the project plan and boundary hearings. To implement the TIF law provisions, the following steps are required:

1. **Prepare a proposed project plan** which includes:

- a. A listing of the kind, number and location of the proposed public works or improvements within the district.
- b. An economic feasibility study.
- c. A detailed list of estimated project costs.
- d. A description of the financing methods and the time when the costs or obligations are to be incurred.
- e. A map showing existing uses and conditions of real property in the district.
- f. A map showing proposed improvements and uses.
- g. Proposed changes in zoning ordinances, master plan (if any), map, building codes and town ordinance.
- h. A list of estimated nonproject costs.
- i. A statement of the proposed method for relocation of any displaced persons.
- j. Indication as to how creation of the district promotes orderly development in the town.
- k. A signed town attorney’s (or an attorney retained by the town) opinion advising whether the project plan is complete and complies with the law.

Prepare Proposed Project Plan 60.85(3)(f)

The Planning Commission prepares the project plan.

2. **Prepare a notice** indicating when the public hearing on the proposed project plan, boundaries and creation of the district will be held. The notice must include a statement advising that a copy of the proposed project plan will be provided on request. It could also contain a brief description or a map of the area proposed to be included in the district.

Prepare Notice of Public Hearing 60.85(3)(e)

3. **Identify specific properties** in the TID. **Owners** of these properties **must be notified** of the proposed findings and hearing date, at least 15 days **before** the hearing is held.

Notify District Property Owners 60.85(3)(c)

4. **Send a copy of the hearing notice** to all affected taxing entities by **1st Class mail**, prior to publishing the notice. It goes to the school board of any school district that includes property located within the district and to the Chief Executive Officer of the other governmental units that have power to levy taxes on the property in the district.

Send Notice by 1st Class Mail to Local Governmental Entities 60.85(3)(a) and (e)

5. **Publish a Class 2 notice** under Wis. Stats. Chapter 985. It should indicate the public hearing date, information as to where the proposed district is located and a statement indicating a copy of the project plan will be provided on request. It is important that the hearing notice is sent by 1st class mail and that the hearing notice is published properly. DOR cannot certify the district without a timely hearing notice publication. **See the requirements on page 3.**

Publish Class 2 Notice
60.85(3)(e) and (j)

6. **Convene a JRB.** Members of the Board are appointed by the school district, county, technical college district and the town. If more than one school district, more than one union high school district, more than one elementary school district, or more than one technical college district has the power to levy taxes on the property within the tax incremental district, the unit in which is located property of the TID that has the greatest value shall choose that representative to the JRB. (If located in a union high school district, the school district representative for the board shall be held by 2 representatives, each of whom has one-half of a vote.) There is also a public member appointed by the others. The Board must hold its first meeting within 14 days of the first hearing notice publication, but before the public hearing. The chairman and public member should be selected by the others at the first meeting.

Convene JRB
60.85(4)(a)

7. **Hold a public hearing.** The Planning Commission conducts the hearing. All interested parties must be given a reasonable opportunity to express their views on the plan and the proposed boundaries. After due consideration the Planning Commission adopts the plan and designates recommended boundaries. These are both submitted to the town board for approval.

Hold Public Hearing for TID
Project Plan and Boundaries
60.85(3)(a), (e) and (j)

8. **Approve the project plan.** The project plan must be approved by the town board anytime prior to or when the creation resolution is adopted. The approval is by resolution that contains findings that the plan is feasible and in conformity with the town's master plan, if it has one.

Adopt Project Plan
60.85(3)(g)

9. **Adopt the creation resolution.** The town board may adopt the creation resolution no less than 30 days after the public hearing has been held. It must be adopted on or before September 30 for the district to be effective the previous January 1. If it is adopted after September 30 of any given year the district will be effective the next January 1.

Adopt TID Boundaries by
Resolution 60.85(3)(e)

The creation resolution **must** contain the following information:

- a. **Describes the boundaries of the district.** They do not need to be the same as those recommended by the Planning Commission, but should include only whole parcels as they appear on the assessment roll.
- b. **Establishes the district's valuation date.** This date is dependent on the date the resolution is adopted. The table below shows how to determine the valuation date.

Date Resolution Adopted	Date of Valuation
Oct. 1, 2007 - Sept. 30, 2008	Jan. 1, 2008
Oct. 1, 2008 - Sept. 30, 2009	Jan. 1, 2009
Oct. 1, 2009 - Sept. 30, 2010	Jan. 1, 2010

- c. **Establishes the formal name of the district.** The first district in a town is called Tax Incremental District Number One, Town of _____. Each subsequent district is given the next consecutive number. This number remains with the district even after it is terminated or dissolved.
- d. **Declares the district to be** either an agricultural, forestry, manufacturing or tourism project district, and identifies the North American Industry Classification System industry number of each activity under each project for which project costs are to be expended.

e. Contains findings that:

- Not less than 75 percent, by area, of the real property within the district is to be used for projects of a single one of the project types listed under sub. (2)(b) 1. to 4.
- The improvement planned will likely enhance significantly, the value of most of the other property in the district. The specific parcels meeting this criteria do not need to be identified.
- The project costs relate directly to promoting agriculture, forestry, manufacturing or tourism development.
- That either the equalized value of taxable property of the district plus all existing district does not exceed 7 percent of the total equalized value of taxable property within the town or the equalized value of taxable property of the district plus the value increment of all existing district within the town does not exceed 5 percent of the total equalized value of the taxable property within the town.

f. Confirms that any real property within the district that is intended to be used for a manufacturing project is zoned for industrial use and will remain zoned industrial use for the life of the tax incremental district.

10. **JRB approves the proposal.** It reviews the public record, planning documents and the resolution passed by the town board under paragraph (3)(h). The town is required to provide the JRB with information and projections listed in paragraph 60.85(3)(k).

JRB Approves
60.85(4)(am)(b) and (c)

The district cannot be created unless the Board approves the creation resolution. Approval is by majority vote not less than 10 days nor more than 30 days after receiving the creation resolution. The JRB must submit its decision to the town within 7 days of making it. The JRB must contain a positive assertion that, in its judgment, the development described would not occur without the creation of the TID.

The Board's decision to approve or deny the proposal must be based on four criteria. First is whether the project costs to be expended comply with limitations specified in (2)(b); second is whether the expected development would occur without using TIF (the "but for" test); third is whether the economic benefits are sufficient to compensate for the cost of improvements; and fourth whether the benefits outweigh the anticipated tax increments to be paid by property owners in overlying districts.

The Board must issue a written explanation to the town that all the criteria under 4(c)1 has been met or why it rejects the proposal.

11. After the district has been approved by the town and the JRB, **the town clerk must submit an application to the DOR for base value certification.** DOR provides forms for this purpose. All forms and other required information must be submitted to DOR by December 31st of the creation year [as defined in sub. (3)(h)2].

Submit Base Value
Application 60.85(5)(b)

12. **The town assessor must identify parcels** within a TIF district upon the assessment roll, with the name of the district. The clerk makes a similar notation in the tax roll.

Separate Hearings Method

This method requires holding two separate hearings, one for the project plan and another for the district boundaries and creation. Requirements for the boundary public hearing appear in the TIF law before those for the project plan hearing, but the law does not specifically state which one must be held first.

These instructions assume the project plan hearing will be first. The whole separate hearing process takes less time when done in this order. That's because the 30-day waiting period between the project plan hearing and creation resolution adoption can be taking place while preparing for and holding the boundary hearing.

The following steps are required to implement the law's provisions under the separate hearing scenario, with the project plan hearing first.

1. **A proposed project plan** is prepared by the Planning Commission. All the items listed below must be included:
 - a. A listing of the kind, number and location of the proposed public works or improvements within the district.
 - b. An economic feasibility study.
 - c. A detailed list of estimated project costs.
 - d. A description of the financing methods and the time when the costs or obligations are to be incurred.
 - e. A map showing existing uses and conditions of real property in the district.
 - f. A map showing proposed improvements and uses.
 - g. Proposed changes in zoning ordinances, master plan (if any), map, building codes and town ordinance.
 - h. A list of estimated nonproject costs.
 - i. A statement of the proposed method for relocation of any displaced persons.
 - j. Indication as to how creation of the district promotes orderly development in the town.
 - k. A signed town attorney's (or an attorney retained by the town) opinion advising whether the project plan is complete and complies with the law.

Prepare Proposed Project Plan 60.85(3)(f)

The Planning Commission prepares the project plan.

2. **A public hearing notice is prepared** for publication. It indicates when the project plan hearing will be held. A statement advising a copy of the plan will be provided on request must be included.

Prepare Notice of Public Hearing 60.85(3)(e)

3. **Specific properties in the district. Owners** of these properties **shall be notified** of the proposed finding and hearing date, at least 15 days before the hearing is held.

Notify District Property Owners 60.85(3)(c)

4. **A copy of the hearing notice must be sent** by 1st mail to all governmental entities having power to levy taxes on property located within the proposed TID boundaries. The notice is sent to the school board of any school district and the Chief Executive Officer of all other taxing entities. The notice must be sent by 1st Class mail before the hearing notice is published.

Sent Notice by 1st Class Mail to Local Governmental Entities 60.85(3)(a) and (e)

5. **The project plan hearing notice is published** as a Class 2 notice under Wis. Stats. Chapter 985. The notice should contain the public hearing date, information as to where the proposed district is located and a statement indicating a copy of the project plan will be provided on request. It could also contain a brief description or a map of the area proposed to be included in the district and that the hearing notice is published properly. DOR cannot certify the district without a timely public hearing notice publication. **See requirements on page 3.**

Publish Class 2 Notice 60.85(3)(e) and (j)

6. **The public hearing is held on** the date indicated in the notice. The Planning Commission conducts the hearing. All interested parties should be given a reasonable opportunity to express their views. This hearing must be held at least 7 days after the second hearing notice publication and a minimum of 30 days before the town board adopts a creation resolution for the district.

Hold Public Hearing for Proposed TID Project Plan 60.85(3)(e)

7. **The project plan is adopted and approved.** The Planning Commission adopts the project plan and submits it to the town board for approval. The plan must be approved by the town board before or concurrent to adoption of the creation resolution. Approval must be by resolution which contains findings that the plan is feasible and in conformity with the town's master plan, if it has one.

Plan Adopted by Plan Commission, Approved by Town Council 60.85(3)(f) and (3)(g)

8. **The Planning Commission prepares a second hearing notice** for publication. This notice indicates when the public hearing will be held to consider the district boundaries and creation. It must be published as a Class 2 notice, again being careful to meet all Class 2 notice requirements. A copy of the notice must be sent prior to publication to the same taxing entities that received a project plan hearing notice. This notice must also be sent by **1st Class mail**. It could include a brief description or map of the area to be included.

Prepare and Publish Hearing Notice Notify Local Government Entities 60.85(3)(e)

9. **A JRB must be convened.** Members of the Board are appointed by the school district, county, technical college district and the town. If more than one school district, more than one union high school district, more than one elementary school district, or more than one technical college district has the power to levy taxes on the property within the tax incremental district, the unit in which is located property of the TID that has the greatest value shall choose that representative to the JRB. (If located in a union high school district, the school district representative for the board shall be held by 2 representatives, each of whom has one-half of a vote.) There is also a public member appointed by the others. The Board must hold its first meeting within 14 days of the first hearing notice publication, but before the public hearing. The chairman and public member should be selected by the others at the first meeting. **Note:** When the project plan public hearing is held first, the JRB does not have to be convened until afterward. It is not required by state, but as a courtesy, reference to the JRB could be included in the cover letter sent to other taxing entities with the project plan notice.

Convene JRB 60.85(4)(a)

10. **The Planning Commission holds the public hearing** regarding district boundaries and creation on the date indicated in the hearing notice. All interested parties are given a reasonable opportunity to express their views on the proposal. After the hearing the Planning Commission designates the district boundaries it recommends and submits its recommendation to the local legislative body.

Hold Public Hearing for Proposed TID Boundaries and Creation 60.85(3)(e)

11. **The local town board adopts a resolution** creating the TIF district, at least 30 days after the project plan hearing was held. The creation resolution must contain the same information and findings that are described in items (a) through (e) in the combined hearing method, page 6.

Approve TID Creation by Resolution 60.85(3)(a)

12. **Likewise the town must provide the JRB** with the same information and the JRB must take action based on the same criteria and time schedule described in the combined hearing method.

JRB Approves 60.85(4)(am)(b) and (c)

13. **The local clerk must submit a request for base value certification** along with all required documents and forms to DOR by December 31st of the creation year. If the resolution is adopted during the period October 1, 2007 through September 30, 2008, the application is due to DOR by December 31, 2008.

Apply for Base Value 60.85(5)(b)

14. **The town assessor must identify parcels** within a TIF district upon the assessment roll, with the name of the district. The clerk makes a similar notation in the tax roll.

Identify TID Parcels on Assessment Roll and on Tax Roll 60.85(5)(h)

MAY THE BOUNDARIES AND PROJECT PLAN BE AMENDED?

A town may modify a district's boundaries **not more than once** during the first five years after the district is created, provided the equalized value of taxable property of the amended district plus all existing districts does not exceed 7 percent of the total equalized value of taxable property within the town or the equalized value of taxable property of the district plus the value increment of all existing districts within the town does not exceed 5 percent of the total equalized value of taxable property within the town. Procedures for amending a plan are described in s. 60.85(3)(j)1.

Modifying Boundaries 60.85(3)(j)2

Project plan amendments are prepared by the Planning Commission. A public hearing must be held, taxing entities notified, a Class 2 notice published and a JRB convened. The amendment must be adopted by the Planning Commission and approved by the town board and JRB. The JRB's approval must contain a written statement that, in its judgment, all criteria under (4)(c)1 has been met or why the proposal has been rejected based on the criteria specified under (4)(c)1.

Prepare Notice of Public Hearing
60.85(3)(j) and (4)(c)2

Basically these actions must be done on the same time schedule as when the district was created.

1. A public hearing notice is prepared for publication and a copy is sent to each taxing entity by 1st Class mail before it is published.
2. Specific properties in the district. Owners of these properties shall be notified of the proposed finding and the hearing date at least 15 days before the hearing is held. A copy of the hearing notice must be sent by 1st Class mail to all governmental entities having power to levy taxes on property located within the proposed TID boundaries. The notice is sent to the school board of any school district and the Chief Executive Officer of all other taxing entities. The notice must be sent by 1st Class mail before the hearing notice is published.
3. A Class 2 notice under Wis. Stat. Chapter 985, is published twice, i.e., once each week in consecutive weeks with the last publication at least 7 days before the event. (**Example:** 1st notice posted 6-3-08, 2nd notice posted 6-10-08, earliest public hearing held 6-17-08.) It must include the purpose and cost of the amendment and advise that a copy will be provided on request.

4. The JRB must meet within 14 days of the hearing notice publication, but before the public hearing. The chairman and public member are chosen at this meeting.

Convene JRB
60.85(4)(a)

5. After the hearing, the Planning Commission adopts a resolution approving the amendment and submits it to the local legislative body for approval.

Plan Commission Adopts
Resolution 60.85(3)(j)

6. Council approval must contain findings that the amendment is feasible and in conformity with the master plan if the town has one. There does not have to be a 30 day period between the public hearing and approval by the legislative body.

Local Legislature Approves TID
Project Plan Amendment
60.85(3)(j)

7. The JRB must also approve the amendment (by majority vote) before it can take effect. This takes not less than 10 days nor more than 30 days after receiving the amendment and supporting information. The JRB notifies the town of its decision within 7 days of making it. It must provide a written explanation if it rejects the proposal.

JRB Approves
60.85(4)(b) 2 and 3

8. Within 60 days after final approval of the amendment, the town clerk must give DOR written notice that the project plan has been amended. Also, copies of the amendment; hearing notice; letter to other taxing entities; affidavit of hearing notice publication; and resolutions adopted by the Planning Commission, legislative body and JRB should be sent to DOR.

Notice Sent to DOR
60.85(5)(f) and (g)

9. DOR will review this information to determine whether or not the base value of the district must be redetermined. This is done if the amendment includes additional project costs at least part of which will be incurred after the district's project implementation period or if the amendment modifies the boundaries by adding territory to the TID. If the boundaries are modified, the value of the new area is determined and added to the original base value.

TID Base Value Redetermined if
Necessary 60.85(5)(g)

10. Annually, no later than May 15, the town clerk shall file with the department of revenue, on a form provided by the department, a list of the expenditures for the district that were made in the previous year.

Annual Accounting
60.85(5)(e)

11. The town clerk must submit a request for base value redetermination along with all required documents and forms to DOR by December 31st of the creation year. If the resolution is adopted during the period October 1, 2007 through September 30, 2008, the application is due to DOR by December 31, 2008. Also, each year before May 15, the town clerk must notify DOR of any amendment adopted during the preceding year. This form (PE-209) is filed electronically and mailed yearly to the town clerk in the subsequent year letter.

Apply for Redetermined
Base Value

HOW IS THE BASE VALUE DETERMINED?

The Tax Increment Law specifies that when a tax incremental district is created, its base value must be determined as soon as reasonably possible. The town clerk applies in writing to DOR on prescribed forms. The clerk must fill out the forms available on the internet at www.revenue.wi.gov/slf/tif.html and submit them with the base certification application by December 31st in the year the district is created. Instructions for completing them are printed on each form.

Clerk Makes Application
to DOR 60.85(5)(b)

1. The following items must be included in the base application:

- Equalized Value Determination Request Form
- Legal Requirements Form
- TID Parcel Lists
 - Assessable Property
 - Town Assessed Manufacturing Property
 - Tax Exempt, Town-Owned Property
- Base Year Personal Property List
 - Assessable Personal Property
 - State Assessed Manufacturing Personal Property
- Assessor's Final Report and Special District Supplement
- Statement of Assessment
- A map of the district with parcel numbers listed. The numbers should correspond to those on the parcel lists (two hard copies or one PDF file).
- A boundary description - must describe outer boundaries (metes and bounds), not just a listing of property included. This should be the same as approved by the town and the JRB.
- Proof that other taxing entities were sent a hearing notice prior to publication - i.e., copies of cover letter or affidavit by clerk.
- Proof that all owners of the property were notified of the proposed TIF & date of the public hearing to property owners.
- Affidavit of Public Hearing Notice Publication from newspaper (verifying both publications).
- A copy of the adopted project plan and planning commission approval resolution.
- A copy of the creation resolution.
- A copy of the JRB resolution approving the resolution adopted by the legislative body.

Town Owned Property Value
Determined 60.85(3)(L),
60.85(5)(c)

2. DOR uses this information, plus its other resources to determine the full aggregate value of the taxable and certain town-owned property in the district. This full aggregate value constitutes the district's tax incremental base value. **Note:** DOR may not certify the tax incremental base until it determines that each of the procedures and documents required have been timely completed and all notices required timely given.

DOR Determines Full Aggregate Value 60.85(5)(b)

3. The items received in the base application are reviewed and any problems resolved. Then the information is forwarded to the District Office where the value is determined. DOR sends notification of the base value to the town clerk.

DOR Certifies Tax Incremental Base to Clerk 60.85(5)(b)

4. Annually DOR sends valuation notices to the designated finance officer of each taxing jurisdiction that has power to levy taxes on property within the district. This notice includes the base value, current equalized value and the equalized value increase (value increment). These values are used as the basis to calculate the tax increment each year.

DOR Annually Gives Value Notices to Finance Officers 60.85(5)(i)

WHEN DO TAX INCREMENTS START?

Positive tax increments are allocated to the town for a TID each year commencing after the date the project plan is adopted providing the clerk and assessor submit all required information to DOR by the second Monday in June.

Positive Tax Increment Allocated 60.85(6)(a)

Because values are determined annually as of January 1st and taxes are levied in December for collection the following January, it takes more than a year after creation before any tax increment revenues are actually received.

For example:

- a. In 2008, town "X" creates TID #1 by town board resolution adopted September 8 (deadline is September 30).
- b. In December 2008 the town clerk submits an application to DOR for base value certification (deadline is December 31).
- c. The base value is certified February 16, 2009, reflecting the TID's value as of January 1, 2008.
- d. DOR receives subsequent year information from the assessor on the second Monday in June (June 8, 2009).
- e. On September 1, 2009, the current year value and value increment are certified. They represent the district's value as of January 1, 2009.
- f. In December 2009, tax levies are apportioned and the tax increment calculated, assuming the TID has experienced an increase in value.
- g. Beginning in January, 2010, tax payments are received by the town and proportionate amounts are deposited in the TIF fund.

Thus, a district officially created in September 2008, and effective January 1, 2008, does not receive any revenue until January, 2010, at the earliest. In this example there is a lag of 16 months from the adoption of the resolution to receipt of first tax increment revenue.

WHERE DOES THE TAX INCREMENT COME FROM?

The tax increment is an allocation of property taxes based on increased values in the TID. When positive tax increments are authorized by DOR, the value of property in a TID may not exceed the base value for apportionment purposes.

Base Value Used for Property Tax Apportionment 60.85(13)

While the district exists, the Property Tax Bureau will have an internet form available to the town clerk and instructions for calculating the tax increment. The increment must be added to each apportioned levy before the local mill rate is determined. The difference between the apportioned levies and taxes actually collected is the tax increment.

WHAT HAPPENS TO THE TAX INCREMENTS WHEN COLLECTED AND WHEN THE TID ENDS?

1. Every officer charged by law to collect local general property taxes must first pay the tax increment portion of collections to the town treasurer on each settlement day. For example, if the tax increment represents ten percent of the total tax levy, then ten percent of taxes collected by a particular settlement date must be paid to the treasurer for the TIF fund before disbursement to other taxing entities.

Increment Collected and Paid to Municipal Treasurer 60.85(6)(c)
2. When the town treasurer receives tax increments they should be deposited into the TIF fund without delay. The treasurer may also deposit other moneys into the fund as directed by the town board. Moneys in the fund may be temporarily invested subject to agreement of bond holders and if earnings are used to reduce project costs.

Increment Deposited in Special Fund 60.85(6)(d)
3. Money in the TIF fund can only be used to:
 - Pay project costs,
 - Reimburse the town for such payments, or
 - Satisfy claims of bond or note holders for securities issued for TID projects.

TID Project Costs Paid 60.85(6)(d)
4. Money paid out of the fund for project costs may be paid before or **after** the district is terminated. This allows a town to terminate a district before all bond or note payments have been made if sufficient funds are available so investing them will provide for principal and interest payments to be made at a future date.
5. After all projects costs have been paid, all bonds and notes are paid or payment provided for and voluntary deposits by the town reimbursed; any remaining moneys must be paid over to the taxing entities in proportion to the amount each has contributed. Thus, if a school district levy represents fifty percent of the levy the year a TID is terminated, then the school district shall receive fifty percent of the funds remaining after all liabilities of the district have been provided for.

HOW LONG CAN A DISTRICT EXIST?

A Tax Increment District may remain in existence until the earlier of:

1. When the town has received aggregate increments equal to the total project costs in the project plan and its amendments,

Terminate District When All Costs are Paid or Dissolved by Resolution 60.85(9) and 60.85(6)(e)5.b

2. Eleven years after the last expenditure identified in the original, unamended project plan is made.
3. The town board body dissolves the district by resolution. The town then becomes liable for any costs actually incurred that are not paid by moneys in the TIF fund.
4. The Secretary of Revenue determines that the tax increments have been used to pay ineligible costs and the secretary of revenue orders that the district be terminated.

DOR will authorize allocation of tax increments annually, provided the clerk and assessor **submit required information on time** each year or until DOR receives proper termination notice from the town, whichever comes first.

DOR Authorizes Tax Increment Allocation 60.85(6)(a)

Annually, no later than May 15, the town clerk shall file with DOR, on a form provided by the department, a list of the expenditures for the district that were made in the previous year.

Annual Expenditures 60.85(5)2(e)

DOES THE TOWN NEED TO NOTIFY ANYONE WHEN THE TID IS TERMINATED?

When a town terminates a district it must give DOR written notice within 10 days. A copy of the resolution terminating or dissolving the TID may serve as the notice. Also, the overlying taxing jurisdictions should be notified of the termination.

Town Notifies DOR When TID is Terminated 60.85(10)

The date DOR receives this notice determines the effective date of the district's termination. If it is received between January 1 and May 15 inclusive, the effective date is the date it is received. If the notice is received from May 16 to December 31, the effective date is the first January 1, after the notice is received.

This means that if DOR gets a termination notice by May 15th in any year, no value increment will be certified that year and no further tax increments will be generated. If we receive the notice after May 15th a value increment will be certified reflecting the value as of January 1 for that calendar year. Thus the district will be eligible to collect one more increment.

Not later than February 15 of the year immediately following the year in which a town transmits to DOR the notice required, the town shall send DOR, on a form prescribed by DOR, all the following information that relates to the terminated tax increment district: a final accounting of all expenditures made by the town, total amount of project costs incurred by the town, and total amount of positive tax increments received by the town.

Note: If a town does not send to DOR the forms specified above, DOR may not certify the tax incremental base of a new tax incremental district in the town until the form is sent to DOR.

The chart below illustrates both situations for a notice received in 2008:

Date Notice Received	Effective Date	2008 Value Increment Certified	Final Levy Year	Final Tax Collection Year
1/1 – 5/15	Date Received	No	2007	2008
5/16 – 12/31	1/1 – 2009	Yes	2008	2009