

Tax Incremental District (TID) Allocation Amendment Fact Sheet

The procedure for designating one TID a **donor** and another as a **recipient** of excess funds is called an “allocation amendment.” There are four types of allowable allocation amendments for TIDs:

1. Allocation for Distressed or Severely Distressed TIDs (s. 66.1105 (4e) (d), Wis. Stats.)
2. General allocation with special requirements (s. 66.1105 (6) (e), Wis. Stats.)
3. General allocation with special requirements (s. 66.1105 (6) (f), Wis. Stats.)
4. Allocation for an Environmental Remediation (ER) TIDs (s. 66.1106 (2) (c), Wis. Stats.)

Type 1 – Distressed or Severely Distressed (s. 66.1105 (4e) (d), Wis. Stats.)

This type of allocation deals directly with recipient districts that, under certain conditions, have been classified as Distressed or Severely Distressed. (A distressed district can have its' maximum life extended ten years, while the life of a severely distressed district can be extended up to 40 years after its' creation.) A donor district in this instance is allowed to contribute excess increments to these districts until the earlier of 10 years after the district would otherwise be required to terminate, if allocating to a distressed district, or until the donor district has been in existence for 40 years, if sharing its increments with a district designated as severely distressed district.

Type 2 - Paragraph (e) Allocations (s. 66.1105 (6) (e), Wis. Stats.)

- There are two additional eligibility criteria for this type:
 - 1) The donor district and the recipient district were both created before October 1, 1995 (except for TIDs in 1st class cities, for which the date is October 1, 1996).
 - 2) The donor district can demonstrate, based on tax increments generated, that it can pay for all project expenditures incurred for that district, and still provide surplus increments to pay for the expenditures of the recipient district.

These allocations may only be made for a maximum of 10 years. The first allocation may be made for a period not to exceed 5 years. If the municipality determines that the allocation is needed for more than 5 years, they may authorize the allocation for an additional 5 years. The second amendment must be done in the fourth year of the initial allocation.

Type 3 - Paragraph (f) Allocations (s. 66.1105 (6) (f), Wis. Stats.)

- There are three additional eligibility criteria for this type:
 - 1) One of the following two conditions must be met by the recipient TID:
 - a) The recipient district's project plan has project costs to create, provide or rehabilitate low-cost housing or to remediate environmental contamination

- b) The recipient district was created upon a finding that not less than 50 percent of the real property in the district is blighted or in need of rehabilitation. This finding would be present in the **original creation resolution** for the district. If it was created on the finding that 50 percent of the property was suitable for industrial development or mixed use, it is **not eligible**.
 - 2) The allocation cannot take place unless the donor district has first satisfied all of its current year debt service and project cost obligations.
 - 3) The donor district, once established, cannot request or receive an extension to its life.
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Type 4 – Environmental Remediation (ER) TIDs (s. 66.1106 (2) (c), Wis. Stats.)

The following documentation is required to be submitted to the Department of Revenue (DOR) when allocating excess increments from one ER TID (donor) to another ER TID (recipient):

- 1) Financial documentation showing the ability of the donor to allocate to another ER TID. This would include a yearly breakdown (similar to the ones prepared for regular TID allocations) outlining the donor's yearly expenditures and what it intends to share with the Recipient.

This will show that the donor tax incremental district is able to demonstrate, based on the positive tax increments that are currently generated, that it has sufficient revenues to pay for all project costs that have been incurred under the project plan for that district and sufficient surplus revenues to pay for some of the eligible costs of the recipient tax incremental district.

- 2) A resolution from the local governing body approving the allocation. This resolution would include the recipient designation name/number.
 - 3) A form/cover letter to the DOR asking for the certification of the allocation.
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The following requirements apply to the first three types of allocation amendments:

1. Adopt the amendment before collecting tax increments in excess of project costs, but not later than the allowable maximum life.
2. The amendment is made to the donor district's project plan. The amendment must identify the recipient district by name/number. The donor must be able to demonstrate that it has sufficient revenues to pay for all project cost that have been incurred under the project plan for that district and sufficient surplus revenues to pay for eligible cost of the recipient district.
3. The donor district and the recipient district must have the same overlying taxing jurisdictions. The amendment must be approved in the same **process as other amendments, including public hearing, plan commission and legislative**

Note: If your submitted allocation packet does not meet the statutory requirement, the amendment will not be approved.