

**Waunakee Community School District  
Board of Education  
Position Statement – Tax Incremental Districts**

Date of Adoption: January 8th, 2018

**Purpose** - The purpose of this document is to outline the position of the Board of Education on the topic of tax incremental districts. The Board of Education annually selects a representative of the Board to act as the Village Plan Commission Liaison. The Liaison is empowered by the Board of Education to vote according to the position statement established by the Board of Education for any tax incremental districts proposals. If the meeting time permits, the Liaison shall report back to the School Board regarding the proposed tax incremental district.

**School Finance** – It is important to understand the connection between tax incremental districts and the state of Wisconsin public school district finance system. To begin with, a school district’s budget is limited by the revenue cap formula. The revenue cap formula calculates the maximum amount of revenues available to a school district for the main two sources of revenue. These sources of revenue are local property taxes and state equalization aid. The calculation of the revenue cap maximum is a function of a prior year revenues, student enrollment averages, annual increases, and various adjustments.

Property values, including tax incremental districts, have no impact on the revenue cap formula, and therefore, have no impact on a school district budget. However, property values do impact both major sources of revenue contained within the revenue cap – state equalization aid and property taxes. First, state equalization aid is a complicated formula that involves student counts, prior year spending, property values, and state factors that determine the amount of funds received by a district. The state investment in the equalization aid system has varied widely in recent years, making it very difficult to estimate the impact of any one variable on the overall aid received by a school district in future years. Generally, property wealthy districts can see state equalization aid declines when additional property values are added that do not increase the student count. However, the overall impact on district tax payers may be mitigated by the fact that this additional property value is added to the property tax values, which lowers the tax rate. Second, the distribution of school taxes varies based on the total property value of all the municipalities in the school district. When property value is sheltered from the school district tax levy by a tax incremental district, the distribution of school tax changes for all tax payers contributing towards the school district tax levy. During the length of the tax incremental district, all district taxpayers (inside and outside of the Village of Waunakee) will pay for the school tax that would have been paid for by the properties located within the tax incremental district. The impact depends on the equalized value of the properties located within the tax incremental, and the length of the time the tax incremental district is open. Given this property tax impact, there are three scenarios that require further analysis:

**Scenario 1** – The facts of the tax incremental district leads the Liaison to believe that the development will not occur without the creation of the tax incremental district. The facts include factors such as the number of years for the payback of the tax incremental district, the dollar amount being requested, the public improvements included in the tax incremental district, the future value of the incremental property value, the property being considered (i.e. is the property owned, leased, or under an option to purchase), etc.

Under this scenario, the additional property tax value would not be created unless the tax incremental district is created. If that is the case, the distribution of school taxes would not be impacted either way, because the development would not occur. In fact, if the development were to occur, future taxpayers will benefit when the additional property value is available to be taxed by the school district at the conclusion of the tax incremental district.

**Scenario 2** – The facts of the tax incremental district leads the Liaison to believe that the development will occur without the creation of the tax incremental district. The facts include factors such as the number of years for the payback of the tax incremental district, the dollar amount being requested, the public improvements included in the tax incremental district, the future value of the incremental property value, the property being considered (i.e. is the property owned, leased, or under an option to purchase), etc.

Under this scenario, the additional property tax value will be created even if the tax incremental district is not created. If that is the case, the distribution of school taxes will be impacted, because the development will occur. In fact, existing taxpayers will pay a larger portion of the school tax because of the fact that this development is sheltered from school tax by the tax incremental district.

**Scenario 3** – The facts of the tax incremental district leads the Liaison to believe that the development includes a blend of both scenario 1 and 2 properties. The facts include factors such as the number of years for the payback of the tax incremental district, the dollar amount being requested, the public improvements included in the tax incremental district, the future value of the incremental property value, the property being considered (i.e. is the property owned, leased, or under an option to purchase), etc.

Under this scenario, some of the additional property tax value will be created even if the tax incremental district is not created (example: housing), while some of the additional property tax value would not be created unless the tax incremental district is created (example: commercial). If that is the case, the distribution of school taxes will be impacted, because some of the development will occur without the tax incremental district. In fact, existing taxpayers will pay a larger portion of the school tax because of the fact that these properties (example: housing) within this development are sheltered from school tax by the tax incremental district.

**Position Statement** – The Board of Education provides this guidance for the Liaison to support the creation of a tax incremental district if the facts lead the Liaison to believe that Scenario 1 is occurring. The Board of Education provides this guidance for the Liaison to vote against the creation of a tax incremental district if the facts lead the Liaison to believe that either Scenario 2 or Scenario 3 is occurring. The Liaison shall have the flexibility to take into account the details of any proposed tax incremental district, such as the public good created from a tax incremental district.