



2025 ASSEMBLY BILL 451

September 25, 2025 - Introduced by Representatives ARMSTRONG, B. JACOBSON, BROOKS, DITTRICH, GOEBEN, KITCHENS, KNODL, KREIBICH, MURPHY, O'CONNOR, PENTERMAN, RIVERA-WAGNER, SUMMERFIELD and TRANEL, cosponsored by Senators FEYEN, MARKLEIN and CABRAL-GUEVARA. Referred to Committee on Housing and Real Estate.

- 1 **AN ACT** *to amend* 66.1105 (4) (gm) 4. c.; *to create* 66.1105 (21) of the statutes;
- 2 **relating to:** residential tax incremental districts.

Analysis by the Legislative Reference Bureau

This bill allows cities and villages to designate tax incremental districts (TIDs) as residential TIDs, which under the bill would be subject to a different rule regarding the maximum equalized value of taxable property that may be contained in the TID than would apply to other TIDs.

TIF generally

Under current law, cities and villages may use tax incremental financing (TIF) to encourage development in the city or village. In general, under TIF, a city or village pays for improvements in a TID and then collects tax moneys attributable to all taxing jurisdictions on the increased property value in the TID for a certain period of time to pay for the improvements. Ideally, after that period of time, the city or village will have been repaid for its initial investment and the property tax base in the TID will have permanently increased in value.

In general and in brief, a city or village makes use of TIF using the following procedure:

1. The city or village designates an area as a TID and creates a project plan laying out the expenditures that the city or village will make within the TID, and the designation and project plan are approved by representatives of the other taxing jurisdictions (joint review board).

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2. The Department of Revenue establishes the “base value” of the TID. This value is the equalized value of all taxable property within the TID at the time of its creation.

3. Each year thereafter, the “value increment” of the property within the TID is determined by subtracting the base value from the current value of property within the TID. The portion of taxes collected on any positive value increment (the tax increment) is collected by the city or village for use solely for the project costs of the TID. Tax increments collected by the city or village include taxes that would have been collected by other taxing jurisdictions, such as counties or school districts, if the TID had not been created.

4. Tax increments are collected until the city or village has recovered all of its project costs or until the TID reaches its statutory termination date.

Residential TIDs

This bill allows a city or village to create a residential TID. To create a residential TID, the local legislative body must adopt a resolution finding all of the following:

1. That all project costs of the TID are related to residential developments that satisfy certain limits related to type of residences developed, setbacks, lot sizes, and structure sizes.

2. That all project costs of the TID are for the construction or improvement of infrastructure necessary for residential development within the TID.

3. That all project costs of the TID will be paid directly from tax increments or financed by a developer.

Under current law, when creating a new TID or amending a TID, a city or village must make a finding that the equalized value of taxable property of the new or amended TID, plus the value increment of all existing TIDs in the city or village, does not exceed 12 percent of the total equalized value of taxable property in the city or village.

Under this bill, a residential TID is not subject to this 12 percent rule. However, residential TIDs are subject to a separate, but similar 3 percent rule. That is, when creating a new residential TID or amending a residential TID, a city or village must make a finding that the equalized value of taxable property of the new or amended residential TID, plus the value increment of all existing residential TIDs in the city or village, does not exceed 3 percent of the total equalized value of taxable property in the city or village.

Currently, a city or village generally may amend the project plan of a TID with the approval of the joint review board. Under this bill, with regard to a residential TID, a project plan may not be amended to increase the project costs of the TID later than 10 years before the unextended termination date of the TID except upon unanimous vote of the joint review board. The bill also specifies that a residential TID may not be a donor or recipient TID. That is, tax increments generated by the residential TID may not be used to pay project costs for another TID and tax

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increments generated by another TID may not be used to pay a residential TID's project costs.

Because this bill may increase or decrease, directly or indirectly, the cost of the development, construction, financing, purchasing, sale, ownership, or availability of housing in this state, the Department of Administration, as required by law, will prepare a report to be printed as an appendix to this bill.

For further information see the state and local fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 66.1105 (4) (gm) 4. c. of the statutes is amended to read:

2 66.1105 (4) (gm) 4. c. Except as provided in subs. (10) (c), (16) (d), (17), (18) (c)
3 3., (20) (b), ~~and~~ (20m) (d) 1., and (21) (g), the equalized value of taxable property of
4 the district plus the value increment of all existing districts does not exceed 12
5 percent of the total equalized value of taxable property within the city. In
6 determining the equalized value of taxable property under this subd. 4. c., the
7 department of revenue shall base its calculations on the most recent equalized
8 value of taxable property of the district that is reported under s. 70.57 (1m) before
9 the date on which the resolution under this paragraph is adopted. If the
10 department of revenue determines that a local legislative body exceeds the 12
11 percent limit described in this subd. 4. c., the department shall notify the city of its
12 noncompliance, in writing, not later than December 31 of the year in which the
13 department receives the completed application or amendment forms described in
14 sub. (5) (b).

15 **SECTION 2.** 66.1105 (21) of the statutes is created to read:

16 66.1105 (21) RESIDENTIAL TAX INCREMENTAL DISTRICTS. (a) A city may create

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1 a tax incremental district as a residential tax incremental district if all of the
2 following apply:

3 1. The local legislative body adopts a resolution assigning a name to the
4 district for identification purposes. The first district created under this subsection
5 shall be known as “Residential Tax Incremental District Number One, City of”
6 Each subsequently created residential tax incremental district shall be assigned
7 the next consecutive number.

8 2. The local legislative body adopts a resolution finding all of the following:

9 a. The project plan complies with par. (b).

10 b. All project costs are for expenditures authorized under par. (c).

11 c. All project costs will be paid directly under sub. (9) (a) 1. or financed by a
12 developer.

13 d. The equalized value of taxable property of the residential tax incremental
14 district plus the value increment of all existing residential tax incremental districts
15 does not exceed 3 percent of the total equalized value of taxable property within the
16 city.

17 3. The clerk of the local legislative body certifies the resolution under subd. 2.
18 and forwards a copy of the certified resolution to the department of revenue and the
19 joint review board.

20 4. The joint review board approves the creation of the tax incremental district
21 as a residential tax incremental district.

22 5. The city establishes in the resolution under subd. 2. or by ordinance all of
23 the following with regard to residential developments that meet the requirements
24 under par. (b) within the district:

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1 a. The maximum amount of development-related fees that may be charged by
2 the city for a development.

3 b. The architectural and construction requirements that will apply to a
4 development.

5 (b) All public works, improvements, and project costs included in the project
6 plan for a residential tax incremental district shall be related to residential
7 developments that satisfy all of the following:

8 1. The development consists entirely of single-family or 2-family residences
9 that are owner-occupied.

10 2. The lot size of each single-family residence is less than 7,500 square feet.

11 3. The lot size of each 2-family residence is 15,000 square feet or less.

12 4. The lot width of each residential lot is 70 feet or less.

13 5. No side setback is greater than 10 feet

14 6. No single-story residence is larger than 1,500 square feet.

15 7. No 2-story residence is larger than 2,000 square feet.

16 (c) Notwithstanding sub. (2) (f), project costs for a residential tax incremental
17 district may include only costs, including financing costs, related to the construction
18 or improvement of infrastructure necessary for residential developments within the
19 district. Project costs for a residential tax incremental district may include costs
20 related to stormwater only to the extent that the costs are for improvements related
21 to providing service to the entire residential tax incremental district and not to
22 individual lots.

23 (d) 1. All project costs for a residential tax incremental district shall be paid

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1 directly under sub. (9) (a) 1. from tax increments generated by the residential tax
2 incremental district or financed by a developer.

3 2. All payments made by a city to a developer for financing a residential tax
4 incremental district shall be made under sub. (9) (a) 1.

5 (e) Notwithstanding sub. (4) (h) 1. and (4m) (a), with regard to a residential
6 tax incremental district, a project plan may not be amended to increase the project
7 costs of the district later than 10 years before the unextended termination date of
8 the district except upon unanimous vote of the joint review board.

9 (f) Notwithstanding sub. (6) (d), (e), or (f), a residential tax incremental
10 district may not become a donor district or receive tax increments from a donor
11 district.

12 (g) None of the following apply to a residential tax incremental district:

13 1. Subsection (4) (gm) 3., 4. a. and bm., and 6.

14 2. The 12 percent limit described under sub. (4) (gm) 4. c.

15 (END)