

# Explanation of the Loan Process Under sec. 70.57 (4)(d) Wis. Stats. City of Appleton, Winnebago County

November 29, 2023

## Background

The Department of Revenue (DOR) has verified an error exists in the 2023 Tax Increment District (TID) values for the City of Appleton. The error is a result of values that were unintentionally updated in DOR's valuation system prior to certifying values on August 15, 2023. The impact of this error is greater in the Winnebago County portion of the City than in the Outagamie County portion due to the relatively small tax base in Winnebago County.

The error resulted in a total overstated TID increment of \$13,500,900 for TID 7 in Winnebago County. Information on the Outagamie County TID values can be found on the first tab of the attached analysis.

State law (sec. 70.57 (1)(d) Wis. Stats.) outlines a process to correct errors discovered after values are certified on August 15. This process requires DOR to apply a correction to the values in the following year, making the taxpayers whole over a two-year period. DOR will apply a correction to all TID values in 2024.

State law (sec. 70.57 (4)(d) Wis. Stats.) also authorizes DOR to issue a zero-interest loan to a taxation district to offset property taxes that would otherwise be imposed resulting from certain errors made by DOR, when the amount of the error is 7.5% or more of the taxation district's prior year equalized Value. For the City of Appleton, the impact of the error as a percent of the 2022 equalized value is 2.7% in Outagamie County and 13.62% in Winnebago County.

DOR is proposing an interest-free loan to address the Winnebago County portion of the City of Appleton. Due to statutory requirements, the Outagamie County portion of the City is not eligible for a loan payment. If the City of Appleton opts to take the loan payment, the loan amount will be determined once the City determines this year's levy. We have estimated a loan amount of \$60,000.

## Loan Process – City of Appleton, Winnebago County

- **2023** – DOR will issue a loan payment to the City to reduce the City's local levy imposed within the Winnebago County portion. The loan amount plus the City's local levy will equal the total amount needed for the City's 2024 budget.
- **2024** – Consistent with the provisions of sec. 70.57 (4) (d), the City will be required to collect the loan amount from property owners on the 2024 property tax bills. Note, this process does not impact levy limits. The City's starting point for the 2024 levy will include the total 2023 levy that would have been imposed, absent the loan.
- **2025** – The collected loan amount will be remitted to the Department of Revenue as repayment in 2025

## Summary

The loan process avoids a fluctuation in tax bills in 2023 and 2024 due to the valuation error. Consequently, taxpayers will be held harmless from the impact of the valuation error. The total collected tax increment for 2023 and 2024 will be consistent with prior years. Note, changes in tax bills for individual parcels will still occur due to factors aside from the error, such as changes to assessed values, levies, and apportionment of levies of overlying taxing jurisdictions (county, school, and tech college).