The Problem: Disparity in Local Revenue-Raising Capacity

Local governments throughout the country rely on local property taxes and, in some states, local income and sales taxes for revenues for their general operation. Therefore, it is understandable that the revenue-generating characteristics of land uses receive strong consideration in development decisions. In many circumstances, these characteristics are driving factors behind the approval process. Typically, in larger, older metropolitan areas with many local governments, reliance on a local (as opposed to a regional) tax base has produced patterns of interregional polarization and sprawling, inefficient land use.

Because of location and/or the forces of metropolitan change, such as state investment decisions on such facilities as highway interchanges, some local governments are winners and others are losers when government services are tied to a local tax base. For example, if two local governments in a region have exactly the same population, but one has extensive commercial, office, and industrial development, and the other residential development with some commercial uses, the latter government will have to increase property taxes to obtain the same amount of revenue as the former. The differences in the revenue-raising capacity of local governments in a region to support basic services is called "fiscal disparity."

Fiscal Zoning

Prompted in part by fiscal concerns, local governments zone large tracts of land for commercial and industrial use, whether or not there is a presently demand for such uses. The practice of using the zoning
power to achieve fiscal objectives rather than purely land-use objectives is known as "fiscal zoning." Each local government believes it is a candidate for a large manufacturing facility, a regional shopping center, or a "big box" retail store that would enhance its financial position, either through revenues from the property tax or sales tax (especially on "big ticket" items like automobiles). Under the fiscal zoning approach, local governments will exclude any proposed development that might create a net financial burden and will encourage development that promises a net financial gain.[1]

A serious direct effect of fiscal zoning, according to one federal study, has been the "spate of exclusionary practices relating to residential development."[2] Fiscal zoning results in efforts to keep out lower income groups, and especially large families. Low- and moderate-income housing produces relatively lower tax revenues in comparison to the services it requires. Consequently, local governments resist setting aside land for such uses.[3]

Mismatch between Social Needs and Local Tax Resources
"Fiscal disparity" is amplified through the process of metropolitan growth and change. The concentration of poverty in central cities and older suburbs destabilizes schools and neighborhoods. This concentration and destabilization are exacerbated by increases in crime, and result in the exodus of middle-class families and businesses. As social service needs accelerate and the obligation to repair and replace infrastructure intensifies, the property tax base and other fiscal resources to support such services erode.[4] In a related pattern, growing middle-income communities, dominated by smaller homes and apartments, develop without sufficient property tax base to support schools and other public services. These fiscally stressed communities will become tomorrow's declining inner-ring suburbs.

Upper-income suburbs at the metropolitan fringes are frequently the beneficiary of a disproportionate share of regional infrastructure expenditures in sewers, waterlines, and major highways, including interchanges. These suburbs capture new high-value businesses and residences. As their property tax expands, and their housing markets exclude all but high-cost residences, social needs decline proportionally.[5]

Encouragement of Sprawl
As the waves of socioeconomic decline roll outward from the central cities and older suburbs, tides of middle-class homeowners sweep into outlying communities where they find long commutes to employment centers. These growing, outlying communities often use restricted, low-density single-family zoning to maintain a perceived quality of life. In so doing, they lock the region into low-density development patterns that require extensive automobile travel, are difficult to serve with mass transit, cause air pollution, and supplant forest and farmland in the process.[6]

Competition for Tax Base and Intergovernmental Tension
Competition for tax base engenders intergovernmental conflict through pitched battles over annexations and bidding wars for businesses that have already chosen to locate in a region. Local governments that want to grow attempt to annex unincorporated lands from the surrounding county. Neighboring municipalities may often compete with each other for the same piece of land. In some parts of the country, this competition has depleted the tax base of another governmental unit, such as a township, as high-value land has been absorbed by the annexing municipal government. Developers benefit from this system as they can pit one local government against another by searching for the most favorable terms, including public subsidies and a relaxation of land-use standards. Tensions escalate among neighboring jurisdictions.[7]

The late Vermont Law School Professor Norman Williams, Jr., argued that statutory reform should concentrate on "[r]emoving the presently dominant concern with encouraging good ratables and discouraging bad ratables, so that public agencies can focus their attention clearly on other planning goals."[8] He added, "As long as we continue the present system of local real estate taxes to finance local public services, it will not really matter how many other innovative ideas are introduced; there will be no substantial change in how the system actually works."[9]

Approaches to Address Metropolitan Tax Equity
Two approaches have emerged over the past several decades to address metropolitan tax equity issues.

(1) Tax-base-sharing legislation. Two regions in the U.S. have specialized legislation that shares revenues from real property taxes: the Twin Cities metropolitan area in Minnesota and the Hackensack Meadowlands area in New Jersey.

Twin Cities. Regional tax-base sharing was implemented in the seven-county Twin Cities area in Minnesota with the passage of the Minnesota Fiscal Disparities Act in 1971.[10] Under this program, each city contributes 40 percent of the growth of its commercial-industrial tax base acquired after 1971 to a regional pool. The value of properties in the regional pool is taxed at a weighted areawide rate. Funds from this areawide pool are distributed via an allocation formula that takes into account a local government's population and fiscal capacity (defined as per capita real property valuation). The Twin Cities system has been widely analyzed in the literature of law, planning, and economics.[11]

According to Minnesota State Representative Myron Orfield, Jr., the present system has reduced tax-base disparities on a regional level from 50:1 to roughly 12:1. As of 1994, about $393 million, or about 20 percent of the property tax base, was shared regionally.[12] The system has survived a court test on its constitutionality[13] as well as an attempt to repeal it. It should be noted, for several reasons, that the Twin
Cities system does not completely eliminate or solve the problem of fiscal disparity. For example, the system does not retroactively redistribute property tax revenues resulting from the existing tax base in 1971. In addition, the areawide pool of commercial and industrial property growth is not the result of an even split, but one in which 60 percent of the growth goes to the local government and the remainder to the pool. Also, the program does not generate wealth but instead redistributes it. Communities that have the least growth in tax base and the lowest per capita commercial and industrial values are the biggest beneficiaries from the program. Communities with higher-than-average per capita fiscal capacity generally receive a smaller share than they have contributed.

<table>
<thead>
<tr>
<th>Can Tax-Base Sharing be Duplicated Elsewhere?</th>
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<tbody>
<tr>
<td>Here's what Minnesota State Representative Myron Orfield, Jr., says about potential support for regional tax-base sharing elsewhere in the U.S.:</td>
</tr>
<tr>
<td>There is a broadly shared belief that tax-base sharing came out of some cosmic consensualism in progressive Minnesota that cannot be duplicated elsewhere in the nation. This is not true.</td>
</tr>
<tr>
<td>Tax-base sharing in Minnesota has always been controversial. Many suburban governments at first feared loss of tax base and local control. But wise leaders realized the high degree to which property wealth was concentrated and developed computer runs that showed the projected amount of tax base cities would actually gain.</td>
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<tr>
<td>Most of the inner and developing middle-class suburbs were potential recipients. When these suburbs realized that tax-base sharing was likely to increase substantially their tax base and stabilize their future fiscal situation, they became supporters. As one legislator put it: &quot;Before the runs, tax-base sharing was communism. Afterwards, it was 'pretty good policy.'&quot;</td>
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**Hackensack Meadowlands, N.J.** Special tax-base-sharing legislation was adopted by the New Jersey legislature in 1968 for the Hackensack Meadowlands District, located near the New York metropolitan region. The Meadowlands is composed primarily of wetlands and extensive areas of marshland adjacent to intensive development. Through the adoption and administration of a comprehensive management plan, the Hackensack Meadowlands Development Commission oversees development in the district. Fourteen communities that have property partially included within the district participate in the inter-municipal revenue-sharing plan. The plan's intent was to compensate those municipalities for the fiscal impact of land-use decisions made by the commission. Each municipality contributes to an "intermunicipal account" in an amount equal to a percentage of increases in assessed valuation of property within the district, starting from the base year of 1970. The annual contribution is based on determinations of: the increase of true value of real property in the district since the base year; the total effective tax rate applicable to that property; and the percentage of the tax rate attributable to the municipality after the county portion is extracted. Payments from the account are made on the basis of a municipality's portion of the total land area in the district. Municipalities may also receive compensation from the fund when land is removed from the local tax rolls for a public purpose (e.g., a park) or when new development stimulates growth in school enrollment to compensate for increased educational costs. One assessment of the program described its impact as follows: The New Jersey tax-sharing program appears to have evolved essentially as an intergovernmental revenue transfer mechanism. In 1991, total contributions and disbursements under the program equaled $4.67 million for all participating localities. Exclusive of retroactive adjustments for prior years, only two jurisdictions made net contribution to the intermunicipal account in excess of $1 million — Secaucus ($2.81 million) and North Bergen ($1.42 million) — while only one received a payment of more than that amount from the fund — Kearny ($2.72 million). Of the remaining localities, one was a net contributor or recipient of more than $500 thousand.

2) **Interlocal revenue-sharing agreements.** A number of states have special legislation authorizing local governments to enter into interlocal agreements to share revenues from development. These are intended to encourage intergovernmental cooperation and forestall attempts by cities to annex unincorporated territory. The legislation may authorize sharing of various types of tax revenues, including property, local income, and local sales taxes. **Virginia.** One of the best known interlocal revenue-sharing statutes is Virginia's. Under Chapter 26.1:1 of the Code of Virginia, counties, cities, and towns may enter into voluntary agreements to settle annexation and related issues. The statute provides that the agreement may include: fiscal arrangements, land use arrangements, zoning arrangements, subdivision arrangements and arrangements for infrastructure, revenue and economic growth sharing, dedication of all or any portion of tax revenues to a revenue and growth sharing account, boundary line adjustments, acquisition of real property and buildings, and the joint exercise or delegation of powers as well as the modification or waiver of specific annexation, transition or immunity rights as determined by the local governing body. The statute requires that the agreements be reviewed by the state's commission on local government, which must hold a public hearing on it, and then make an advisory recommendation to a special court and to the affected local governments. Prior to court action on the agreement, the affected local governments must
each hold a public hearing and adopt by ordinance the original or modified agreement. The court may then affirm or reject the agreement. Upon affirmation of the agreement by the court, it becomes binding on the future governing bodies of participating jurisdictions.[22]

A number of cities and counties in Virginia have used the voluntary agreement, including the City of Charlottesville and surrounding Albermarle County, the City of Lexington and surrounding Rockbridge County, the City of Franklin and surrounding Southampton County, and the City of Franklin and Isle of Wight County.[23] Under the Charlottesville/Albermarle agreement, for example, the city and the county agreed to share property tax revenue in lieu of a proposed annexation. In a 1982 agreement, the city and the county established a revenue-sharing fund to which both entities contribute. The contributions to the fund were negotiated, with each jurisdiction’s contribution to the fund being 37 cents per $100 of assessed valuation.[24]

Under the agreement, the city decided not to initiate annexation procedures against the county and not to support any annexations initiated by private property owners. Moreover, the agreement provides:

[E]xcept for ad valorem property taxes, taxes on restaurant meals, transient lodgings or admission to public places or events and other general or selective sales or excise taxes, neither jurisdiction will . . . impose or increase any tax that would affect residents of the other jurisdiction if the other jurisdiction is not legally empowered to enact that tax at the same rate and in the same manner.[25]

Ohio. Ohio statutes authorize municipalities to establish “joint economic development zones”[26] and municipalities and townships to establish “joint economic development districts.”[27] A number of Ohio jurisdictions have taken advantage of the program, including the cities of Barberton and Norton,[28] the City of Springfield and Green Township in Clark County (for property surrounding a municipally owned airpark), and the City of Akron and Coventry, Springfield, and Copley Townships in Summit County.[29] The advantage of the municipal/township joint economic development district is that it allows the imposition of an income tax on individuals living or working in the district and on the net profits of businesses in the district. This is a power that, in Ohio, is otherwise granted only to municipalities and not to townships or counties that have jurisdiction over unincorporated areas. The district’s board of directors, composed of elected members of the legislative bodies and the elected chief executive officers of the contracting bodies, levy the income tax, subject to a vote by the electors of the district.

Approaches to Ensure Tax Equity

<table>
<thead>
<tr>
<th>Approach</th>
<th>Use When There Is</th>
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<tbody>
<tr>
<td>Regional Tax-Base Sharing</td>
<td>Widespread agreement in a region that communities need to work together to support sensible development patterns and reduce fiscal disparity</td>
</tr>
<tr>
<td>Intergovernmental Revenue-Sharing Agreements</td>
<td>A desire among local governments for flexibility to negotiate special agreements with terms and conditions that are specific to their own sets of problems, interests, and capabilities for a subsection of the region.</td>
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</tbody>
</table>

Montgomery County, Ohio. Although not the creature of special state legislation, a voluntary effort has been instituted for communities in the Montgomery County (Dayton), Ohio, Economic Development/Governmental Equity (ED/GE). The program consists of two separate, related funds administered by the county. The Economic Development (ED) Fund distributes approximately $5 million per year of county sales tax revenue to finance economic development projects submitted to the county. Monies from the ED fund are awarded on a competitive basis through the application of selection criteria to individual projects.

Annually, through the Governmental Equity (GE) Fund, a portion of increased property and income taxes collected as a result of economic growth of participating cities, villages, and townships in the county, is also shared with participants in the program. The distribution formula is made to each jurisdiction, based on its share of the total population of all participating jurisdictions. The two funds are intended to promote local and regional economic development objectives. Local governments that participate in the program sign a 10-year agreement with the county.[30]

Other states. Colorado, Kentucky, and Michigan have legislation authorizing voluntary revenue-sharing agreements; a number of local governments in those states have taken advantage of these statutes.[31] Intergovernmental agreements can offer local governments extraordinary flexibility in devising revenue-sharing arrangements. Like tax-base sharing, they will not completely remedy the problem of fiscal disparity and winner-take-all competition for tax base. However, they can lessen these problems and reduce tension among governmental units, especially those problems related to annexation. Still, they require diplomacy in their negotiation and a very good technical grasp of the economic, infrastructure, and planning issues affecting the jurisdictions entering into the agreement.

Regional [Metropolitan] Tax-Base Sharing
Commentary: Regional [Metropolitan] Tax-Base Sharing
The following model legislation authorizes regional or metropolitan property tax base sharing. In adapting the model, a state legislature has several policy choices:

• A state legislature can choose among two tax bases to share, selecting either or both the commercial-industrial tax base, which is the base used in the Minnesota Fiscal Disparities Act, or the excess residential property tax base. This latter tax base is that portion of the single-family residential property valued in excess of an amount specified in the statute (say, $150,000 or $200,000) or tied to a multiplier (say, 150 to 200 percent) of the average value of a single-family residence in the region. Use of the excess residential property tax base would redistribute revenues from those communities that have homes that are valued significantly more than typical homes in the region. The statutory floor on high-value, single-family property, when the amount is specified in the statute, must periodically be changed to reflect the impact of inflation on the region.

• A state legislature can choose among a range of percentages for the commercial-industrial tax base. Under the formula, a percentage of the growth in the commercial-industrial tax base is shared, starting from a base year to the current year. In the Twin Cities model, 40 percent of the growth goes into an areawide pool. In the following model, in Section 14-106, several alternate percentages (25, 40, or 50 percent) can be applied to determine which proportion is allocated for the areawide pool.

• A state legislature can choose from two methods for calculating the fiscal capacity of a local governmental unit: (1) the total property valuation of the unit divided by the total population; or (2) the total property valuation plus the total personal income received by residents of the unit divided by the total population of the unit.

Determining each community’s contribution and share of the areawide tax base is one of the most difficult aspects of the model legislation to understand. Below are examples of typical calculations that demonstrate how contributions and shares are calculated.

Contributions
Commercial-industrial property. Assume that the regional tax base is 50 percent of the growth of commercial and industrial property valuation from a base year to a current year. Between the base year and year 5 of the program, the equalized assessed commercial-industrial valuation in a community grows by $5,000,000. Under the formula, 50 percent (or $2,500,000) of this value would represent that portion of the community’s commercial-industrial tax base that would constitute the community’s portion of the areawide tax base. If there were 25 communities in the region, the total commercial-industrial areawide tax base would be the product of each community’s portion of the areawide tax base, times 25. (See Sections 14-105 and 14-106 of the model below.) If a community had no growth in its commercial-industrial property tax base, it would contribute nothing to the areawide tax base pool.

Excess residential value. If a community of 1,500 residences (both multi- and single-family) has 200 single-family homes with an average value of $250,000 each, and the floor on the excess residential property tax base is $200,000, $10 million (200 x ($250,000-$200,000)) would be subject to sharing (this assumes the added increment in residential value over the floor of $200,000 is all growth from a base year). The "excess residential contribution percentage" is determined by dividing the amount subject to sharing (i.e., $10 million) by $50 million (i.e., the total average value of single-family homes in the community — 200 x $250,000), or 20 percent. (See Section 14-106, Computation of Areawide Tax Base.) If a community had no homes valued in excess of $200,000 apiece, it would contribute nothing to the areawide tax base.

Applicable Tax Rate. Under the model, the community’s tax rate is calculated from the dollar amount to be levied on the taxable value of that community. The community’s tax rate on the shared tax base (commercial-industrial, excess residential, or both) will be the weighted average of all units of government in the region. (See Section 14-109, Levies and Mill Rates: Local and Areawide.) Consequently, a piece of property that is commercial or industrial land use will have two tax rates: (1) a local tax rate applied to the part of its value that remains local; and (2) an areawide tax rate applied to the part of its value that makes up the areawide tax base. Similarly, a single-family house whose value is in excess of the statutory floor will have two tax rates applied to the property: (1) a local rate on the portion at or below the statutory floor; and (2) an areawide rate for all value in excess of the statutory floor.

Distribution of Revenues from Areawide Base
In order to compute each community’s share of revenues from the areawide tax base, two calculations are made (see Section 14-107, Distribution of Areawide Tax Base).

Calculation of a distribution index. A local governmental unit's distribution index is calculated as follows:

Unit Distribution Index = Population of Unit x (Average Fiscal Capacity/ Fiscal Capacity of Unit)
"Fiscal capacity" is either the total property valuation of the community divided by its population, or the total property valuation, plus the sum of income received by residents of the unit, divided by the population of the unit. "Average fiscal capacity" is the sum of property tax bases (and of personal income of all qualifying units, where this is included), divided by the sum of their populations, as of a date in the same year.

Calculation of distribution value. To determine the share ("distribution value") of the areawide tax base, the areawide tax base is multiplied by the proportion of each local governmental unit's distribution index over the sum of the indices for all units. The resulting figure is the areawide tax base for any give year that is attributable to any particular unit.

Unit Distribution Value =

Areawide Tax Base \times \left( \frac{\text{Unit Distribution Index}}{\text{Sum of Distribution Indices for all Units}} \right)

**Sample calculation**

To understand how the formulas work, it is useful to plug figures into the sample calculations. Using Communities X, Y, and Z, which are "qualifying local units" eligible to participate in the tax base sharing program under the model legislation, the following examples illustrate how the formulas operate with varying per capita valuation or fiscal capacity (with or without personal income included) and when the population differs. The areawide tax base described below can include the excess residential value growth component as well as the commercial-industrial growth component.

<table>
<thead>
<tr>
<th>Community</th>
<th>Population</th>
<th>Per Capita Valuation/Fiscal Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>X (low population, high valuation)</td>
<td>20,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Y (low population, low valuation)</td>
<td>20,000</td>
<td>$20,000</td>
</tr>
<tr>
<td>Z (high population, low valuation)</td>
<td>40,000</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

Areawide tax base = $1,000,000
Areawide population = 100,000
Total valuation for all communities = $100,000,000
Sum of distribution indices for all communities = 200,000,000

**Community X**

Distribution index = 20,000 \times \left( \frac{($100,000,000/100,000)/($200,000/20,000)}{200,000,000} \right) = 2,000,000

Areawide tax base = $1,000,000 \times \left( 2,000,000/200,000,000 \right) = $10,000 (the share of the areawide tax base for Community X)

**Community Y**

Distribution index = 20,000 \times \left( \frac{($100,000,000/100,000)/($20,000/20,000)}{200,000,000} \right) = 20,000,000

Areawide tax base = $1,000,000 \times \left( 20,000,000/200,000,000 \right) = $100,000 (the share of the areawide tax base for Community Y)

**Community Z**

Distribution index = 40,000 \times \left( \frac{($100,000,000/100,000)/($20,000/40,000)}{200,000,000} \right) = 80,000,000

Areawide tax base = $1,000,000 \times \left( 80,000,000/200,000,000 \right) = $400,000 (the share of the areawide tax base for Community Z)

14-101 Findings and Purpose

(1) The [legislature] finds that [certain of the] metropolitan areas of the state are confronted with increasing social and economic polarization and wasteful sprawling development patterns. In these areas:

(a) poverty concentrates and social and economic needs grow in the central cities and older suburban communities, with older suburban areas having less resistance to these trends than central cities;

(b) certain suburbs are developing at the edges of regions but with insufficient property tax bases to support local services;

(c) in these central cities, older suburbs, and developing suburban areas with low tax bases, where the majority of the region's social needs are located, there is a comparatively small per capita property tax base that is slow growing, stagnant, or declining;

(d) other developing suburbs constitute a special sector of the region that dominates regional economic growth, has highly restrictive housing markets, receives a disproportionate share of local infrastructure investment, has an insufficient number of workers for local jobs, and experiences local congestion problems that cannot be solved by adding new highway capacity;

(e) in this special sector, the large per capita property tax base grows very rapidly in the face of slow-growing, stable, or declining social needs in the sector; and
(f) as a consequence, the region polarizes socially and economically, with older communities experiencing decline through flight of their population base, and the competition for property tax base inducing growing fiscal inequity and sprawling wasteful development patterns.

(2) The [legislature] further finds that tax-base sharing:

(a) creates greater equity among communities;
(b) breaks the intensifying mismatch between local needs and communities' tax bases;
(c) removes local economic incentives underlying exclusive fiscal zoning;
(d) reduces the interregional competition for a tax base; and
(e) facilitates regional land-use planning efforts.

14-102 Definitions
(1) "Administering Fiscal Officer" means the [state director of finance or fiscal officer of a county selected pursuant to Section [14-103] below or fiscal officer chosen by the governing board of the council of governments or other regional body comprising the principal units of general government in the area].
(2) "Area" means a metropolitan area as defined by the most recent publication of the United States Bureau of the Census and the Office of Management and Budget [or such other definition as the state may prefer].
(3) "Average Fiscal Capacity" means the sum of the property tax bases [and of the personal income bases] of all qualifying local units in the area as of a particular date, divided by the sum of their populations, as of a date in the same year.
(4) "Commercial-Industrial Property" means the categories of property set forth in [cite statute defining this class of property], excluding that portion of such property which: (i) constitutes the tax base for a tax increment pledged pursuant to Section [14-302], certification of which was requested prior to the effective date of this Act, to the extent and so long as such tax increment is so pledged; (ii) may, by law, constitute the tax base for tax revenues set aside and paid over for credit to a sinking fund pursuant to the direction of the governing body of a unit of local government in accordance with [statute providing for local debt retirement through a sinking fund procedure], to the extent that such revenues are so treated in any year; or (iii) is exempt from taxation pursuant to [cite statute, if any, mandating or authorizing the exemption of any types of commercial-industrial or ad valorem taxes]. [Insert any other additions to or exclusions from the statutory definition of commercial-industrial property that are desired for purposes of this Act].
(5) "Component Local Unit" means any [county, municipality, village, town, township], school district, or other special service district authorized to impose ad valorem taxes on commercial, industrial, or residential property, located wholly or partly within the area.
(6) "Contribution Value" means the value of that portion of the commercial-industrial and the excess residential property tax base transferred from local to areawide taxability.
(7) "County or Municipal Fiscal Officer" means the principal financial official of a county or municipal government, such as an auditor, treasurer, or director of finance.
(8) "Distribution Value" means the value to a qualifying local unit of its share of the areawide property tax base.
(9) "Excess Residential Property" means that portion of a component local unit's tax base that exists in the portion of [single-family homestead] residential property valued in excess of [$150,000 or $200,000].
(10) "Fiscal Capacity" of a qualifying local unit means the [sum of income received by the residents of the unit and the] property tax base of such unit divided by the population of the unit.
(11) "Income" means the total money from all sources as reported by the U.S. Department of Commerce Bureau of the Census [or the latest official state estimate of income] for general statistical purposes.
(12) "Levy" means the amount certified to the county or municipal fiscal officer as being necessary to be derived from property taxation in a forthcoming year or which has been derived from that source in preceding years.
(13) "Qualifying Local Unit" means any component [county, municipality, town, township, or village] with a population of [1,000 or more] that is to share in that portion of the tax base transferred from local to areawide taxability.
(14) "Population" means the most recent estimate of the population of qualifying local units in the area made by the [U.S. Census Bureau or state agency or the regional planning or other agency that embraces the particular metropolitan area].
(15) "Property Tax Base" means the full value of taxable property as equalized for state tax purposes by the [department of revenue or other state agency charged with equalizing property tax assessments among local governments].
14-103 Administering Fiscal Officer
[(1) The director of the state department of finance or other appropriate state agency shall serve as the
administering fiscal officer and shall discharge the duties imposed upon him or her by this Act].

[(1) On or before [date following the effective date of this Act] and every [2] years thereafter, the fiscal
officers of the counties and of the [municipalities] of [25,000] population and over within the area shall
meet at the call of the fiscal officer of [county in which the largest city of the area is located] and shall elect
from among their number a fiscal officer to serve as the administering fiscal officer for the tax base sharing plan [for a period of 2 years or until such time as a successor is chosen in the same manner as just
described]. If a majority is unable to agree on a person to serve as administering fiscal officer, the state
[director of finance] shall appoint such a person from among the group of county and municipal fiscal
officers in the area. If the administering fiscal officer ceases to serve as a county or municipal fiscal officer
within the area [during the term for which he or she was elected or appointed], a successor shall be chosen
in the same manner as is provided for the original selection [to serve for the unexpired term]].

(2) To perform the functions imposed by this Act, the administering fiscal officer shall use the staff and
facilities of the fiscal office of the county or municipality in which he or she serves. The administering fiscal
officer's county or municipality shall be reimbursed for the marginal expenses incurred hereunder by the
administering fiscal officer and staff through a contribution from each of the other qualifying local units in
the area in an amount that bears the same proportion to the total expense as the population of the respective other units bears to the total population of the area. The administering fiscal officer shall
annually, on or before [date], certify the amounts of total expenses for the preceding calendar year and the
share of each unit, to [the [treasurer] of] each other unit. Payment shall be made by [the [treasurer] of] each unit to the unit incurring the expenses on or before the succeeding [date].

(2) [In the event that the state fiscal agency administers and maintains the accounts for the tax- base
sharing plan or for a plan in each of two or more metropolitan areas, insert a provision here for a pro-rata
contribution or other arrangement to cover operating expenses considered necessary.]

14-104 Assessed Valuation: Base Year and Subsequent Years
(1) On or before [date consistent with beginning date of the tax-base-sharing program], each qualifying
local unit's [county assessor] shall separately determine and certify to the administering fiscal officer the
[equalized] assessed valuation for the year [19 — or 20 —] of commercial-industrial and of excess
residential property subject to taxation within the unit. The administering fiscal officer shall request of the
[state department of revenue or state equalization agency] a similar tabulation of state-equalized
assessments of such property and shall provide to the governing body of each qualifying local unit and make
available to the public a tabulation of [state-equalized] valuations of commercial-industrial and excess
residential property for the area as a whole. The initial year covered by the foregoing valuations shall be the
base year against which subsequent changes in commercial-industrial and excess residential property tax
rates shall be calculated.

(2) On or before [month, day] of each subsequent year, each qualifying local unit's [county assessor] shall
determine, certify, and provide to the administering fiscal officer the assessed valuation of commercial-
industrial and excess residential property in the form described in paragraph (1) above, and the
administering fiscal officer shall obtain, tabulate, and publish in the same manner and composition as above
the [state-equalized] valuations of such property.

14-105 Increases in Assessed Valuation of Commercial-Industrial Property; Computation of
Excess Residential Property
(1) On or before [2 years following the effective date of this Act], the county fiscal officer of each qualifying
local unit shall determine the amount, if any, by which the equalized assessed valuation determined
pursuant to Section [14-104] above, of commercial-industrial property subject to taxation within each unit
in his or her county exceeds the assessed valuation in [insert base year] of commercial-industrial property
subject to taxation within that county. On or before [2 years following the effective date of this Act], the
county fiscal officer of each qualifying local unit shall determine the amount, if any, by which the equalized
assessed valuation determined pursuant to Section [14-104] above, of excess residential property subject to
taxation within each unit in his or her county exceeds the assessed valuation in [insert base year] of excess
residential property subject to taxation within that county.

(2) The increases in assessed value determined by this Section shall be reduced by the amount of any
decreases in the assessed valuation of commercial-industrial and excess residential property resulting from
any court decisions, court-related stipulation agreements, or abatements for a prior year, and only the
amount of such decreases made during the 12-month period ending on [date] of the current assessment
year, where such decreases, if originally reflected in the determination of a prior year's [equalized] assessed
valuation under Section [14-104], would have resulted in a smaller base contribution from the component
local unit in that year. An adjustment for such decreases shall be made only if the unit made a contribution
in a prior year based on the higher valuation of the commercial-industrial and excess residential property.
14-106 Computation of Areawide Tax Base
(1) Each county fiscal officer shall certify the equalized assessed valuations and increase thereof, pursuant to Sections [14-103] and [14-104] above, separately for both commercial-industrial and excess residential property to the administering fiscal officer on or before [date] of each year. The administering fiscal officer shall multiply the commercial-industrial component certified pursuant to Section [14-105] by [.25 or .40 or .50], and shall add the resulting product to the excess residential growth component certified pursuant to Section [14-105]. The resulting amount shall be known as the "areawide tax base for (year)."
(2) For each qualifying local unit, a "commercial-industrial contribution percentage" shall be computed as the commercial-industrial value determined in paragraph (1) above divided by the total commercial-industrial value of the qualifying local unit. For each qualifying local unit, an "excess residential contribution percentage" shall be computed as the excess residential value determined in paragraph (1) above, divided by the total excess residential value of the qualifying local unit.

14-107 Distribution of Areawide Tax Base
(1) The state [commissioner of revenue] shall certify to the administering fiscal officer on or about [date] of each year, the population of each qualifying local unit, the average fiscal capacity, and the fiscal capacity of each individual qualifying local unit.
(2) The administering fiscal officer shall determine for each qualifying local unit the product of: (a) its population, and (b) the proportion that the respective average fiscal capacity bears to the fiscal capacity of that qualifying local unit. The product shall be the areawide tax base distribution index for that qualifying local unit, provided that if a qualifying local unit is located partly within and without the area, its index shall be that which is otherwise determined hereunder, multiplied by the proportion that its population residing within an area bears to its total population as of the preceding year.
(3) The administering fiscal officer shall determine the proportion that the index of each qualifying unit bears to the sum of the indices of all qualifying local unit(s). In the case of each qualifying local unit, the administering fiscal officer shall then multiply this proportion by the areawide tax base.
(4) The product of the multiplication prescribed by paragraph (3) above shall be known as the "distribution value for (year) attributable to [name of qualifying local unit]." The administering fiscal officer shall certify such product to the fiscal officer of the county in which the qualifying local unit or units are located on or before [date].
(5) The distribution value attributable to each qualifying local unit shall be apportioned among all component local units exercising taxing authority within the qualifying local unit on the basis of the percentage of the qualifying local unit's residential property tax base lying with the component local unit.

14-108 Taxable Value of Component Local Units: Local and Areawide
(1) Each county fiscal officer shall determine the taxable value of each component local unit within the county in the manner hereby prescribed. The taxable value of a component local unit is its assessed valuation, as determined in accordance with other provisions of law, subject to the following adjustments:
(a) there shall be subtracted from its assessed valuation, in each qualifying local unit in which the component local unit exercises ad valorem taxing jurisdiction, an amount equal to the qualifying local unit's commercial-industrial contribution percentage times the value of commercial-industrial property, and an amount equal to the qualifying local unit's excess residential contribution percentage, times the value of excess residential property; and
(b) there shall be added to the assessed valuation of each component local unit the distribution value apportioned to it under paragraph (5) of Section [14-107], from each qualifying local unit in which it exercises taxing authority.
(2) This net resulting from the subtraction specified in subparagraph (a) and the addition specified in subparagraph (b) of paragraph (1) above represents the final assessment value for determining the tax rate for each component local unit.

14-109 Levies and Mill Rates: Local and Areawide
(1) On or before [month, day, and year] and each subsequent year, the county fiscal officer shall apportion the levy of each component local unit in his or her county in the manner prescribed as follows:
(a) determine the areawide portion of the levy for each component local unit by multiplying the mill rate of the unit, times the distribution value apportioned to it under paragraph (5) of Section [14-107] above; and
(b) determine the local portion of the current year's levy by subtracting the areawide portion determined above from the component local unit's current year's levy.
(2) On or before [month, day, and initial year] and each subsequent year, the county fiscal officer shall certify to the administering fiscal officer the areawide portion of the levy of each component local unit.
determined pursuant to subparagraph (a) of paragraph (1) above. The administering fiscal officer shall then determine the rate of taxation sufficient to yield an amount equal to the sum of such levies from the areawide tax base. On or before [month and day] the administering fiscal officer shall certify said areawide tax rate to each of the county [fiscal officers].

(3) If a component local unit is located in 2 or more counties, the computation and certifications required above shall be made by the county fiscal officer who is responsible under other provisions of law for allocating between and among the affected counties.

(4) Within each qualifying local unit, the taxation of each parcel of commercial-industrial property, [including property located within a tax increment financing district, as defined in Section [14-302], shall be determined as follows: the areawide tax rate shall be applied to that percentage of the property equal to the commercial-industrial contribution percentage; the tax rate from all jurisdictions exercising taxing authority over the property shall apply to the remainder of the property.

(5) Within each qualifying local unit, the taxation of each parcel of residential property shall be determined as follows: the value of the property that is not defined as excess residential property is taxed at the rate applicable by all qualifying local units exercising taxing authority over the property; the areawide tax rate shall be applied to that percentage of the excess residential portion of the property equal to the excess residential contribution percentage; the tax rate from all jurisdictions exercising taxing authority over the property shall apply to the remainder of the excess residential portion of the property.

(6) The administering fiscal officer shall determine for each county the difference between the total levy on distribution value within the county and the total tax on contribution value within the county. On or before [month, date] of each year, he or she shall certify the difference so determined to each county fiscal officer. In addition, the administering fiscal officer shall certify to those county [fiscal officers] for whose county the total tax on contribution value exceeds the total levy on distribution value the settlement the county is to make to the other counties of the excess of the total tax on contribution value over the total tax levy on distribution value in the county. On or before [month, date] and [month, date] of each year, each county [treasurer] in a county having a total tax on contribution value in excess of the total levy on distribution value shall pay the excess to the other counties in accordance with the certification of the administering fiscal officer.

14-110 Miscellaneous Adjustments to Local and Areawide Rates and Levies
[Insert adjustments required by virtue of other provisions of law, such as: (a) the proration of such debt or expenditure limitations as are related to the value or valuation of taxable real or personal property; (b) adjustments in assessed valuation required by equalization authorities; (c) changes in required certification dates for tax rolls and the setting of tax rates; (d) adjustments necessitated by reassessments or by properties erroneously omitted from tax rolls; and (e) late or incorrect certifications of levies or tax rates.]

14-111 Changes in Status of Qualifying Local Units
(1) If a qualifying local unit is dissolved, is consolidated with all or part of another local unit, annexes territory, has a portion of its territory detached from it, or is newly incorporated, the [secretary of state] shall immediately certify that fact to the [commissioner of revenue]. The [secretary of state] shall also certify to the [commissioner of revenue] the current population of the new, enlarged, or successor qualifying local unit, if determined by the [state or local boundary adjustment agency] incident to the consolidation, annexation, or incorporation proceedings. The population so certified shall govern for purposes of this Act until the [state or regional planning agency] files its first population estimate as of a later date with the [commissioner of revenue].

(2) In determining the own source revenues or equalized assessed value of property attributable to a successor qualifying local unit for a year prior to a change in status, such amount shall be deemed the sum of the amounts of its predecessor units. If any of the predecessors were divided incident to the change, then for the purposes of this Act, its own source revenues shall be apportioned among its successors in proportion to the division of the population between them, and the equalized assessed value of property located therein shall be allocated to the successor in which the property is located.

14-112 Tax Collection and Disbursements to Qualifying Local Units
• The provisions dealing with collection and disbursement may be addressed elsewhere in the property tax code. The following language is presented if it is desired to modify those provisions.

[(1) Tax bills rendered to owners of commercial-industrial property shall, among other items, include: (a) the total assessed value of the property; (b) the value of the areawide portion, the areawide tax rate, and the amount due on the areawide portion; and (c) the value of the local portion, the local tax rate, and the]
amount due on the local portion. Remittances shall be made to the county [collector(s) of revenue] of the area county or counties in which the property is located.

(2) Tax bills rendered to owners of residential property shall, among other items, include: (a) the total assessed value of the property; (b) the value of the areawide portion, the areawide tax rate, and the amount due on the areawide portion; and (c) the value of the local portion, the local tax rate, and the amount due on the local portion. Remittances shall be made to the county [collector(s) of revenue] of the area's county or counties in which the property is located.

(3) The county fiscal officer of each county shall transfer to the component taxing jurisdictions within the county, the amounts attributable to respective local rates and to the qualifying local units their respective distributive shares of the areawide tax, as calculated pursuant to Section [14-107] of this Act.

14-113 Separability [Insert separability clause.]
14-114 Effective Date [Insert effective date.]