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PROPERTY TAX TIF District Establishment or Expansion Prohibited

March 01, 2011

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of H.F. 0338 (Lenczewski) as introduced.

Effective for taxes payable 2012 and thereafter.

The bill prohibits tax increment financing (TIF) districts from requesting new certifications or adding area to existing districts after June 30, 2011. Districts also may not extend the duration of a district, expand activities to be financed, or authorize additional expenses after May 1, 2011.

The proposed changes to the general TIF provisions may have an impact on the local tax base and tax rate in the future and may result in a change in property tax refunds paid by the state.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Over the long term, transparency of taxation is increased as existing TIF districts decertify.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Mixed	Tax base grows as existing districts decertify, reducing business taxes. With no new TIF districts, it is unknown what incentives or public spending will be offered to promote future development.
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division - Research Unit
http://www.taxes.state.mn.us/taxes/legal_policy

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