

**Property Tax
Tax Increment Financing
Aurora Duration Extension**

March 29, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 662 (Rukavina) / S.F. 713 (Tomassoni)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective the day following local compliance with M.S. 645.021, subd. 2.

EXPLANATION OF THE BILL

Current Law: Tax increment financing (TIF) districts are bound by the TIF laws in effect at the time of the district's creation. The city of Aurora's downtown tax increment financing district was created prior to the 1979 Tax Increment Financing Act; however, certain provisions of Act do apply limitations to pre-1979 districts. M.S. 469.176, subdivision 1c, imposes a duration limit that prevents increments from being paid to a pre-1979 district after the later of April 1, 2001, or the term of a nondefeased bond or obligation outstanding on April 1, 1990, provided that in no case will increment be paid after August 1, 2009. The district is expected to terminate at the end of 2003 based upon the term of its obligations as reported to the State Auditor.

M.S. 469.1782 requires that when a district is allowed a duration extension by special law, the municipality must elect either to incur aid reductions or to adjust the net tax capacity of the school district to prevent the continued capture of school district levies. This section further provides that special laws containing duration extensions shall only be effective upon the approval of affected local units of government (such as the county, city, and school district).

Proposed Law: The proposal extends the duration of the city of Aurora's downtown tax increment financing district for 13 years, paying increments to the district through December 31, 2016. In addition to paying bonds, refunding bonds, and/or other contractual obligations, increments received during the extended period may be used only to fund public redevelopment costs anywhere within the project area (presumably even if they are not in the TIF plan) or any costs provided in the TIF plan. The proposal also specifies that the provisions of M.S. 469.1782 do not apply to the district. This eliminates the requirement to elect either the adjustment the school district's tax capacity or the reductions to state aid.

REVENUE ANALYSIS DETAIL

- Because M.S. 469.1782 is made inapplicable to the proposal, no aid reductions are anticipated as a result of the proposal's duration extension.
- The proposal extends the capture of value in the district for 13 years. Changes in the amount of captured value affect the tax base upon which a school district may levy, which in turn affects the amount of state aid received by the district. However, because state aid is fixed to an appropriation, changes in captured value will shift the amount of aid between school districts rather than impact the total amount of aid.

Number of Taxpayers Affected: Taxpayers in jurisdictions affected by the TIF district would be affected by the proposal.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>