Property Tax
Tax Increment Financing
Light Rail Special District

April 9, 2001

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

Department of Revenue
Analysis of H.F. 1944 (Holberg) / S.F. 1922 (Day)

	Revenue Gain or (Loss)			
	F.Y. 2002	F.Y. 2003	F.Y. 2004	F.Y. 2005
	(000's)			
General Fund	$0	$0	(Unknown)	(Unknown)

Effective for taxes payable in 2003, except the prohibition against TIF use within the authorized district is effective for requests for certification made after the day following final enactment.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, sections 469.174 to 469.178 provide authority for tax increment financing (TIF) and make provisions that govern its use. Several provisions of this law are referenced by the proposal.

M.S. 469.177 makes provisions for the computation of tax increment. Subd. 1a of this section establishes an original local tax rate at time of certification. This rate is used if the current rate increases to assure TIF districts are not capturing additional revenues due to raising the tax rate. Subd. 3 describes the calculation of the increment under two methods for treating fiscal disparities contributions (making them from outside the district or from increment).

M.S. 469.176, subd. 4h, paragraph (a) allows the county to be paid for costs to administer TIF districts.

M.S. 469.176, subd. 2, governs excess increments, and clause (4) references returning excess increments to local jurisdictions in proportion to their share of the total tax rate.

M.S. 469.1812 to 469.1815 provide authority for and govern the use of tax abatements.

Proposed Law: The proposal requires the Metropolitan Council to create a special taxing district to cover the operating costs of light rail transit to the extent fares are not sufficient. The area of the district consists of the area of parcels of class 3 (commercial/industrial) or class 4 (apartments/non-homestead) property that are within 1,000 feet of the right-of-way for the light rail transit line. The revenues of the

EXPLANATION OF THE BILL (CONTINUED)

special taxing jurisdiction will be property tax increments, which shall be calculated under M.S. 469.177, except that the fiscal disparities contribution must come from tax increments and the original local tax rate shall not be used. An adjustment is added to the increment calculation to adjust the original net tax capacity by growth in the tax capacity of class 3 property in the county over the previous year. The district shall not be governed by TIF statutes, except that county administrative costs may be paid under M.S. 469.176, subd. 4h, paragraph (a), and excess increments would be returned per M.S. 469.176, subd. 2, clause (4). The use of either TIF or tax abatements within the area of the special taxing district is prohibited.

REVENUE ANALYSIS DETAIL

- The proposal captures the incremental tax capacity surrounding the light rail transit line that would otherwise be used by local taxing jurisdictions to raise their levies. This results in higher tax rates and burdens, and would likely affect the amount of property tax refunds paid to taxpayers living in jurisdictions affected by the proposal. However, the extent to which class 3 and 4 property would increase and the resulting impact on property tax refunds are unknown.
- The proposal, by capturing tax capacity, would reduce the tax base upon which the local school district may levy. This could increase state aid to affected school districts, but because the total amount of state aid is fixed to an appropriation, the proposal would only result in shifts between school districts rather than affect state funds.

Number of Taxpayers Affected: Taxpayers in jurisdictions affected by the special 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

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