

**Property Tax  
Tax Increment Financing  
Registration of Consultants**

April 18, 2001

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

Department of Revenue  
Analysis of H.F. 2444 (McElroy)

	<u>Revenue Gain or (Loss)</u>			
	<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 for consulting services provided after July 1, 2002.

**EXPLANATION OF THE BILL**

**Current Law:** Minnesota Statutes, sections 273.1399 and 469.174 to 469.1791 provide authority for and govern the use of tax increment financing (TIF). Municipalities are often guided in their use of TIF by consultants. No provisions currently regulate the activities of these consultants.

**Proposed Law:** The proposal adds a section to TIF law that requires TIF consultants to register with Department of Revenue. To register a consultant must: sign a statement agreeing to abide by TIF laws, sign a statement agreeing to make records available for audit, certify knowledge of the requirements of TIF laws, obtain and maintain liability coverage, and submit proof of liability insurance. Municipalities may only contract with registered consultants and increments may not be used to pay consultant fees if the consultant is not registered. The Department of Commerce may revoke a registration, censure or suspend a registrant, require repayment of all costs of proceedings resulting in action, and impose a civil penalty of not more than \$10,000 if the department finds it in the public interest and the consultant has committed a violation. Violations and procedures for issuing orders are outlined.

**REVENUE ANALYSIS DETAIL**

- The imposition of greater controls on TIF consultants will have an unknown impact on the supply, accountability, and use of consultants; and in turn will have an unknown impact on the use of TIF. This estimate assumes that consultants and municipalities generally are in compliance with TIF and that the proposal will have no impact on state funds.

**Number of Taxpayers Affected:** All jurisdictions that utilize tax increment financing could 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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