

**Property Tax
Eliminating TIF and Abatements
Restricting Business Subsidies**

April 3, 2001

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

Department of Revenue
Analysis of S.F. 65 (Marty)

	<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	(Unknown)	(Unknown)

Section 1 is effective June 1, 2001 and section 2 is effective August 1, 2001.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, sections 469.174 to 469.1791 provide authority for tax increment financing (TIF) and stipulate the provisions that govern its use. M.S. 469.1813 to 469.1815 establish and govern property tax abatement authority.

Proposed Law: Section 1 prohibits further use of TIF and restricts the use of business subsidies. The proposal prohibits, after May 31, 2001, certification of any new TIF districts and any modifications of existing districts that extend the duration of a district, expand the activities to be financed within the district, or incur additional expenses not included in the plan prior to May 31, 2001. Section 1 also prohibits the use of business subsidies except as authorized by law or except for activities that could have been financed by TIF. If the city or county proposes a business subsidy, it must conduct a public hearing on the issue after providing published notice of the proposal and the hearing in a newspaper of general circulation in the municipality. The host city may request other jurisdictions to contribute to the subsidy up to what their respective tax increments would have been.

Section 2 repeals the statutes providing abatement authority and governing their use, stipulating that current abatements may continue according to the terms of the repealed sections.

REVENUE ANALYSIS DETAIL

- The extent of future TIF district creation, the use of business subsidies, or the use of tax abatements, absent the proposal are not known.
- Estimating the impact of this proposal would require a broad range of speculative behavioral assumptions, and as such is indeterminable. Aid reduction impacts would begin in FY 2004 or later.

REVENUE ANALYSIS DETAIL (CONTINUED)

- Any foregone aid reductions represent a negative impact on the general fund.
- Estimating a specific cost amount would require excessive speculation about the number of applications, the validity of claims regarding the conditions for a waiver, the level of response to applications by DTED, the alternative selection of local contributions or aid reductions absent the waivers, and the potential size of aid reductions. As such, the impact on the general fund, if any, is indeterminable.
- The repeal of abatements may affect property tax burdens to the extent that they would be used in the future, which is also unknown.

Number of Taxpayers Affected: The number of taxpayers affected by this proposal is unknown but could include every taxpayer in the state.

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>