Property Tax
Tax Increment Financing
Medford Commercial Use

March 29, 2001

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

Department of Revenue
Analysis of S.F. 157 (Day) / H.F. 180 (Ruth)

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

Effective the day following local compliance with M.S. 645.021, subd. 3, and applies to requests for certification of new districts or additions of new area to existing districts after the day of final enactment.

EXPLANATION OF THE BILL

Current Law: Tax increment financing (TIF) districts are limited by different restrictions depending on the type of district. Economic development districts are restricted, in part, by M.S. 469.176, subd. 4c. This subdivision provides that revenues for economic development districts may be used only for developments in which no more than 15% of the buildings and facilities are used for purposes other than manufacturing, warehousing, research and development, telemarketing, tourism, or qualified border retail facilities. The use of economic development districts for commercial development is generally not allowed, but the subdivision does make an exception that allows small cities to provide assistance for up to 15,000 square feet of any separately owned commercial facility. A small city is defined as having a population of 5,000 or less and being located ten miles or more from a Minnesota city with a population of 10,000 or more. Medford does not meet this definition of a small city due to its proximity to Owatonna.

Proposed Law: The proposal allows the city of Medford to use revenues derived from tax increment from an economic development district to provide assistance to one or more separately owned commercial facilities, each consisting of 30,000 square feet or less. The revenues must otherwise be spent in accordance with M.S. 469.176, subd. 4c. The proposal does not appear to limit this authority to a single district. According to the most recent information on file, the city of Medford does not have an existing economic development district.

REVENUE ANALYSIS DETAIL

- This analysis assumes that any new district or district expansion authorized by the proposal would not affect aid reductions, because the city would presumably elect local contributions.
- The proposal may result in additional capture of value within a TIF district, either by permitting an otherwise unauthorized district, or by allowing additional uses of an otherwise qualifying district. 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

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