MINNESOTA Department of Revenue

Property Tax
Tax Increment Financing
Robbinsdale

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. 275 (Rest) / H.F. 345 (Carlson) **1st Engrossment of House Bill**

	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 final enactment and after local compliance with M.S. 645.021, subd. 3.

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 Robbinsdale's tax increment financing district designated as Project 4 was created prior to the 1979 Tax Increment Financing Act; however, certain provisions of the 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. If a district's termination date is extended beyond April 1, 2001, because of outstanding bonds, no increment may be expended after April 1, 2001, except to pay such bonds. The Project 4 district is expected to extend beyond April 1, 2001, due to outstanding bonds.

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, as amended, allows the city of Robbinsdale to expend increments for tax increment financing district designated as Project 4 for project costs other than bonds until June 30, 2001.

REVENUE ANALYSIS DETAIL

- By permitting expenditures other than the payment of outstanding bonds, the proposal may prevent earlier decertification of the district and allow the expenditure of increments that would otherwise become excess increments.
- The district pre-dates aid reductions and will not have aid reduction impacts because, as amended, it extends the eligibility of expenditures rather than extend the duration.
- When value is captured for an extended period of time it is not available as tax base for school levies. This increases the amount of education aid for affected school districts. However, because the total amount of state education aid is fixed to an appropriation, the proposal would only result in the shifting of aid between districts and would not affect the general fund.

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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