

**Property Tax
Tax Increment Financing
North St. Paul TIF Grant**

April 2, 2001

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

Department of Revenue
Analysis of S.F. 1433 (Wiger) / H.F. 1676 (Wasiluk)

	Revenue Gain or (Loss)			
	<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 the day following final enactment without local approval.

EXPLANATION OF THE BILL

Current Law: Laws 1997, chapter 231, article 1, sections 19 and 22 established a TIF grant program to cover any deficits in TIF districts caused by the class rate changes made during the 1997 session. Pooling from other districts was also allowed to cover the deficits and the grants were calculated so that any increments available for pooling would first be used. After a technical correction made by Laws 1997, First Special Session, chapter 5, section 36, the grant was to equal the lesser of the change in increments or the amount of obligations less the municipality's total unspent increments. The appropriation of \$2 million for these grants was available for taxes payable in 1998, 1999, and 2000, with their availability expiring on January 1, 2001. Should the amount of grant entitlements for a year exceed the appropriation, each grant will be reduced proportionately so the total equals the amount available. The grants were to be calculated based on TIF reports filed with the state auditor. Laws 1999, chapter 243, article 10, sections 16, 17, 27, and 28 amended the 1997 TIF grant law to increase the appropriation by \$4 million, to extend the grants to class rate changes made in the 1998 and 1999 sessions, to change the expiration date to January 1, 2002, and to change the application deadline. Laws 2000, chapter 490, article 11, section 36 clarified the definition of increment for administration of the TIF grant program.

Proposed Law: The proposal directs the commissioner of revenue to pay a TIF grant of \$12,800 to the city of North St. Paul as compensation for calendar year 1999 deficits using the accrual method of accounting. The payment is drawn on the existing appropriation. Based on the requirement to use the reports filed with the state auditor and the cash method for reporting TIF district fund balances, the city was not eligible for a TIF grant under current law because of apparent positive fund balances that could presumably be pooled.

REVENUE ANALYSIS DETAIL

- This estimate assumes that the full \$6 million appropriation for TIF grants will be utilized before its availability expires. This assumption is consistent with the February forecast. 1999 grants totaled \$1,361,275 and 2000 grants totaled \$1,020,175, leaving \$3,618,550 available for 2001 grants.
- Using this assumption, the proposed \$12,800 North St. Paul grant would offset the amount of other grants, rather than affect the total amount of grants paid. If this assumption were false and the full appropriation was not utilized, the proposal would increase the total amount of grants paid and leave less of a balance to be returned to the general fund on January 1, 2002. Under this scenario the proposal would represent a \$12,800 negative impact on the general fund.

Number of Taxpayers Affected: Taxpayers in North St. Paul, and any city whose TIF grant might be offset by the North St. Paul grant, may be affected by the proposal to the extent that deficits not reimbursed by grants would affect city resources and possibly affect levies.

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>