Property Tax
Tax Increment Financing
Waseca

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. 1452 (Day) / H.F. 1533 (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 upon local approval and 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 Waseca's tax increment financing district No. 23, a redevelopment district, was established by its economic development authority on November 6, 2000. M.S 469.176, subd. 4, requires increments from tax increment financing districts to be used in accordance with the TIF plan and solely for the purposes of relevant economic development statutes that govern projects associated with TIF districts. Subd. 4j of this statute requires that 90% of revenues derived from increments from redevelopment districts must be used to finance the costs of correcting the blight conditions that permitted its creation. Costs may include, but are not limited to, acquisition, demolition, rehabilitation, clearance, remediation, utilities, roads, sidewalks, and parking.

Proposed Law: The proposal authorizes the economic development authority of Waseca and the city to use revenues derived from tax increments from TIF district No. 23 for the costs of planning, engineering, construction, reconstruction, repair and improvement of exterior walls, exterior windows and doors, and roofs for certain blocks within the city's downtown. These costs are deemed to be qualifying costs for the purposes of M.S. 469.176, subdivisions 4 and 4j.

REVENUE ANALYSIS DETAIL

- The proposal may affect the amount of increments captured or spent by authorizing additional costs eligible for TIF use.

REVENUE ANALYSIS DETAIL (CONTINUED)

- The city has not yet filed a TIF plan or certification request supplement with the Department of Revenue to indicate whether local contributions have been selected for the district as an exemption from aid reductions. If local contributions were selected, there will be no aid reduction impacts on the state general fund. If local contributions were not selected, the proposal could have an indeterminable impact on state funds beginning in the sixth year when aid reductions begin to phase-in.
- The capture of tax capacity by any TIF district can 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, the total school aid amount is set to an appropriation, so changes in captured value will only shift the distribution between school districts rather than impact the total amount of state aid.

Number of Taxpayers Affected: Taxpayers in jurisdictions affected by the TIF district would be affected by the proposal.

ADMINISTRATIVE/OPERATIONAL IMPACT

There are no significant administrative or operational costs or savings to the department in administration of this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

sf1452(hf1533)_1 / JN