

**Property Tax
Tax Increment Financing
Mounds View and New Brighton**

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. 1658 (Chaudhary) / H.F. 1732 (Evans)

	<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	\$0	\$0

Effective for each city upon their approval and compliance with M.S. 645.021, subd. 3.

EXPLANATION OF THE BILL

Current Law: Laws 1995, chapter 264, article 5, sections 44-47, created housing replacement districts for the cities of Crystal, Fridley, St. Paul, and Minneapolis. Laws 1996, chapter 471, article 7, sections 21-22, amended these laws to add authority for the cities of Duluth and Richfield. Laws 1997, chapter 231, article 10, section 12-13, amended these laws to add authority for the city of Columbia Heights. Under these laws, the authorized cities may create districts using tax increments for the purpose of replacing vacant sites, vacant buildings, or substandard buildings with market rate housing. The first class cities are limited to 100 parcels and the other cities to 50 parcels. The duration of each parcel for collecting increments is 15 years from receipt of the first increment. The cities must also pay at least 25% of the project costs from unrestricted money, not including tax increments. Authorities must adopt a housing replacement district plan and are subject to some of the provisions of tax increment financing law (M.S. 469.174 to 469.179). Housing replacement districts are not subject to the aid reductions or other provisions of M.S. 273.1399.

Proposed Law: The proposed legislation extends authority for the creation of a housing replacement district to the cities of Mounds View and New Brighton. The cities, or authorities designated by the cities, may establish a district including up to 50 parcels.

REVENUE ANALYSIS DETAIL

- Because the new districts are not subject to M.S. 273.1399, no aid reduction impacts will result from any districts created.

REVENUE ANALYSIS DETAIL (CONTINUED)

- 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: All taxpayers in jurisdictions where the authorized districts are created could 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>