

**Property Tax
Tax Increment Financing
Wayzata**

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. 1896 (Robertson)

	<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 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, as is generally determined by the date of request for certification. The city of Wayzata’s tax increment financing district No. 2, a redevelopment district, has a request for certification date of September 5, 1986. However, some changes that are made to TIF law are made applicable to existing or older districts. One such change affected the use of tax increments for government facilities. Laws 1999, ch. 243, art. 10, sec. 2 extended the prohibition against using TIF for facilities used primarily for conducting the business of a governmental unit to include public parks and facilities that are of a social or recreational nature. Section 29 of this article made the changes effective for all TIF districts regardless of when the request for certification was made, but not applicable to expenditures made prior to January 1, 2000, or to binding contracts that were either entered before January 1, 2000, or pursuant to a letter of intent entered before January 1, 2000.

Proposed Law: The proposal makes the contract regarding the construction of a public library that was dated December 7, 1999, and any other contract entered into by the city of Wayzata for the acquisition and construction of a public library, to constitute a binding contract that was entered into before January 1, 2000. The proposal also allows the city’s housing and redevelopment authority to use increments from tax increment district No. 2 for the acquisition and construction of a public library.

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 district pre-dates aid reduction requirements so no aid reduction impacts are anticipated.
- 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 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>