

**Property Tax
Tax Increment Financing
Audit Time Limits**

April 4, 2001

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

Department of Revenue
Analysis of S.F. 2164 (Hottinger)

	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 August 1, 2001.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, sections 469.174 to 469.179 provide authority for and govern the use of tax increment financing (TIF). M.S. 469.1771 contains enforcement provisions for violations of TIF law. Included in subdivision 1 of these provisions is the authority for the state auditor to examine and audit the use of tax increment financing.

Proposed Law: The proposal amends M.S. 469.1771, subd. 1, to limit the state auditor's authority to examine or audit TIF activities to activities and events occurring after June 30, 1995. An exception to this limit can be made if the governing body makes a request, or a resident makes a petition, to perform the examination or audit on the basis of evidence of fraud. The proposal also requires the auditor to conclude any final audit of a decertified district within three years of receipt by the auditor of the last financial report relating to the district.

REVENUE ANALYSIS DETAIL

- The imposition of a time limit for examinations and audits by the state auditor may result in some violations going undetected that would otherwise result in repayments of expenditures made in violation of TIF law. Repayments are returned to overlapping jurisdictions, and repayments to school districts can lead to state savings for reimbursed aids. The proposal could potentially eliminate such savings, but given no evidence to the contrary, this estimate assumes general compliance with TIF law.

Number of Taxpayers Affected: All taxpayers in jurisdictions with TIF districts could be affected by the audit time limits to the extent violations might go undetected.

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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