

**PROPERTY TAX
Hopkins TIF District Extension**

April 1, 2003

Department of Revenue
Analysis H.F. 661 (Rhodes)/ S.F. 617 (Kelley)

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

	Revenue Gain or (Loss)			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
	(000's)			
General Fund	\$0	\$0	\$0	\$0

Effective upon local approval.

EXPLANATION OF THE BILL

Current Law: Tax increment financing (TIF) provides a means of financing municipal improvement projects. Types of districts include redevelopment districts, housing districts, economic development districts, soil condition districts, renewal and renovation districts, and hazardous substance districts. Although these types of districts have particular distinguishing characteristics, all commonly possess the authority to retain the tax dollars generated by the “retained captured net tax capacity”. The captured net tax capacity equals the difference between the current year net tax capacity and the original net tax capacity of the properties within the TIF district. (The retained captured net tax capacity is after the subtraction any fiscal disparity or shared value reductions and after any prior year net tax capacity adjustments.)

Proposed Law: The proposal would allow the City of Hopkins to elect to extend the duration of TIF District 2-11, a redevelopment district, by up to five years. The proposal sets limits on the amount of additional increment that may be collected. The additional amount of increment is the increment that would have been collected if the class rate and levy changes had not been made by 2001 property tax reform minus the actual increments collected. The five-year rule requiring activity with five years of the certification of the district is also extended another five years.

REVENUE ANALYSIS DETAIL

- Because the local tax rate may decrease when a TIF district expires, the extension of the district will cause a small increase in residential net taxes, and therefore a small increase in property tax refunds.

Number of Taxpayers Affected: All taxpayers in the City of Hopkins.

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