

**PROPERTY TAX  
Red Wing TIF District Extension**

April 1, 2003

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

Department of Revenue  
Analysis S.F. 393 (Murphy)/ H.F. 478 (Dempsey)

**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 Red Wing to elect to extend the duration of TIF District 5-1 by up to five years and the two TIF districts within Development Districts I and II by 5.5 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 bill also authorizes increments from the TIF districts in Development Districts I and II to be used to reimburse the city \$870,000 for 2002 and 2003 debt service payments made by the city.

**REVENUE ANALYSIS DETAIL**

- Because the local tax rate may decrease when a TIF district expires, the retention 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 Red Wing.

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