

**PROPERTY TAX
Extension for TIF Districts with Deficits**

April 1, 2003

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

Department of Revenue
Analysis S.F. 783 (Kubly)/ H.F. 811 (Stang)

	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 for resolutions approved after June 30, 2003.

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 TIF districts with deficits resulting from the 2001 property tax reform to be extended for up to five additional years. The proposal sets limits on the amount of additional increment that may be collected. The additional amount of increment is the lesser of 1) the amount required to pay preexisting obligations, or 2) 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.

REVENUE ANALYSIS DETAIL

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

Number of Taxpayers Affected: Taxpayers in municipalities which have TIF districts with deficits.

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