

MINNESOTA • REVENUE

PROPERTY TAX TIF Deficit Reduction Authority

April 1, 2003

Department of Revenue
Analysis of S.F. 1229 (Rest)

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

	<u>Revenue Gain or (Loss)</u>			
	<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 actions taken and resolutions approved after June 30, 2003.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes 2002, section 469.1792 generally allows qualifying municipalities to implement certain special tax increment financing (TIF) deficit reduction authority without first having to pool increments from other districts in an effort to eliminate or reduce deficits. The deficits are the result of property tax class rate changes or the elimination of school district general education levies during the 2001 legislative session. The special authority includes using the current local tax rate to generate increments, rather than the original tax rate. The authority also includes making the required fiscal disparities contribution from other properties within the jurisdiction.

Proposed Law: The special TIF deficit reduction authority is expanded to include a district that amends its tax increment financing plan to establish an affordable housing account to which the increments are pledged, or a district that amends its TIF plan to establish a hazardous substance, pollutant, or contaminant remediation account to which the increments are pledged. The increments in the new accounts may be spent anywhere within the authority's area of operation.

REVENUE ANALYSIS DETAIL

- The expanded special authority to raise additional tax increments for affordable housing or hazardous substance remediation may increase property tax burdens on homeowners in jurisdictions with TIF districts, and thus affect state payment of property tax refunds.

Number of Taxpayers Affected: Unknown

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