

**PROPERTY TAX
Hibbing TIF District Increase**

April 14, 2003

Department of Revenue
Analysis S.F. 1434 (Tomassoni) H.F. 1483 (Sertich)

	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 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 Hibbing to raise its TIF levy in districts #7 and #11 by an amount equal to the state levy rate times the captured increment. When the state levy tax rate is determined, the commissioner of revenue shall exclude the captured net tax capacity of the TIF districts from the base.

REVENUE ANALYSIS DETAIL

- The proposed exclusion of the captured net tax capacity of the Hibbing TIF districts when calculating the state tax rate will cause a shift of state levy tax burden to all other owners paying the state levy.

Number of Taxpayers Affected: All state levy taxpayers would be affected by the tax shift.

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