PROPERTY TAX
Enforcement of TIF Transferred

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

April 15, 2003

Department of Revenue
Analysis of S.F. 1465 (Pogemiller)

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

Effective August 1, 2003.

EXPLANATION OF THE BILL

Current Law: The 1995 Omnibus Tax Act transferred authority for investigating and reporting whether local governments were in compliance with tax increment financing (TIF) laws from the Department of Revenue to the Office of the State Auditor (OSA). The 1995 act also transferred to the OSA the responsibility for collecting annual information from TIF authorities. OSA conducts legal compliance reviews from the information submitted and refers certain violations to county attorneys for enforcement, and in certain cases refers issues to the attorney general. Under certain conditions a TIF authority may have its powers suspended. County treasurers are required to deduct 0.25% of any increment and forward the revenue to the state general fund to support the OSA's TIF enforcement activity. The commissioner of revenue is required to annually adjust the 0.25% fee.

Proposed Law: Responsibility for receiving the annual reports of TIF districts is transferred from the OSA to the Department of Revenue, with the requirement that the reports be audited by an independent auditor. The current enforcement activity of the OSA is repealed, except that the Department of Revenue has authority to suspend distribution of tax increment if a TIF authority fails to submit required reports. The requirement that a percent of increment be sent to the state treasury for TIF enforcement is repealed.

REVENUE ANALYSIS DETAIL

- According to the Department of Finance, the increment sent to the state treasury for TIF enforcement in was $743,218 in F.Y. 2001, $821,280 in F.Y. 2002, and the budgeted amount for F.Y. 2003 is $847,000.
- Although the proposal will eliminate the increment administration fee from the state general fund, repeal of the OSA's enforcement activity will mean a corresponding reduction in state expenditures, leaving no net change in the state general fund.

Number of Taxpayers Affected: Unknown

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

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