PROPERTY TAX
Mixed-Income Housing TIF Districts

February 23, 2004

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

Department of Revenue
Analysis of S.F. 2278 (Moua)

	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 for districts for which certification is requested after July 31, 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.) Activity must commence within 5 years of district creation. For housing districts with rental property, 50% of the units must be occupied by individuals whose income is 80% or less of area median gross income.

Proposed Law: The bill would allow mixed-income housing districts beyond the income restrictions specified in M.S. 469.1761. The new requirements are that 20% of the units must be occupied by individuals whose family income is less than or equal to 50% of the area median gross income, and an additional 60% percent of the units must be occupied by individuals whose family income is less than or equal to 115% of area median gross income. The remaining 20% of the units must not be subject to income restrictions. Units may be either rental or owner-occupied. Owner-occupied units must be initially purchased and occupied by individuals whose family income satisfies the income requirements.
For rental property, the income restrictions apply for the life of the TIF district. The housing district as a whole does not qualify if the fair market value of improvements for commercial or other uses exceeds 20% of the total fair market value of the planned improvements in the development plan.

REVENUE ANALYSIS DETAIL

- It is not known to what extent new districts would be created under these provisions.
- New TIF districts would have an impact on the local tax base and tax rate in the future and result in a small increase in property tax refunds paid by the state.

Number of Taxpayers: Taxpayers in new mixed use TIF housing districts.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy

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