

MINNESOTA • REVENUE

PROPERTY TAX Minneapolis Lake Street TIF District Extension

March 15, 2004

Department of Revenue
Analysis of S.F. 2303 (Pogemiller)

	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.) Activity must commence within 5 years of district creation.

A 1998 special law authorized the establishment of a redevelopment TIF district for the Lake Street project in Minneapolis, with phased development. The duration of the district was specified as 18 years after the receipt of the first increment from the final phase of development, but, in no case could the duration exceed 30 years from the approval of the TIF plan.

Proposed Law: The bill strikes language which limited the Minneapolis Lake Street TIF to a period of 18 years after receipt of increment from the last phase of redevelopment. The effect is that only one duration limit applies - 30 years from approval of the TIF plan.

REVENUE ANALYSIS DETAIL

- The extension of the duration is likely to 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 the City of Minneapolis.

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

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