

# MINNESOTA • REVENUE

## PROPERTY TAX TIF District Extension

March 26, 2004

Department of Revenue  
Analysis of S.F. 2943 (Senjem) / H.F. 3128 (Nelson, C.)

	Yes	No
Separate Official Fiscal Note Requested		
<b>Fiscal Impact</b>		
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	(\$74)	(\$74)

Effective for TIF districts for which the request for certification was made before August 1, 1979.

### 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.

Special provisions apply to pre-1979 TIF districts, including that no increment collected from the district can be expended after April 1, 2001, except under specified conditions.

**Proposed Law:** The bill would allow a city to expend increments from a pre-1979 TIF district after April 1, 2001, if the captured tax capacity of all TIF districts in the city is less than 6% of the city’s total tax capacity for taxes payable in 2003 and if the city’s population exceeds 50,000.

### REVENUE ANALYSIS DETAIL

- The only TIF district which currently qualifies is the Rochester downtown redevelopment district.
- By delaying the expiration of the TIF district and returning the tax capacity base to local levies, taxes on homestead property would be higher than they would be under current law. Property tax refunds would increase by an estimated \$74,000.

**Number of Taxpayers:** Taxpayers in the City of Rochester.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)