

# MINNESOTA • REVENUE

## PROPERTY TAX Urban Renewal TIF

March 31, 2004

Department of Revenue  
Analysis of S.F. 2998 (Betzold)

	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	\$0	\$0

Effective for urban renewal areas established on or after the date of final enactment.

### 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.

**Proposed Law:** The bill authorizes the creation of urban renewal areas. An urban renewal area is a contiguous geographic area designated within a project and within which all parcels must be located within or eligible for inclusion in a redevelopment, renewal and renovation, or soils condition district. An authority must obtain city and county approval, and such districts must be certified within ten years from latter of city or county approval. All TIF provisions apply except the five-year rule is extended to ten years, increments may only be expended within the urban renewal area, and local tax rate certification is not required.

### REVENUE ANALYSIS DETAIL

- The extent to which the provisions in the bill would be used is not known.
- The extensions of scope and duration are likely to have an impact on the local tax base and tax rate in the future and result in an increase in property tax refunds paid by the state.

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)