

# MINNESOTA • REVENUE

## PROPERTY TAX TIF Substandard Buildings

March 31, 2004

	Yes	No
Separate Official Fiscal Note Requested		X
<b>Fiscal Impact</b>		
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 3122 (Carlson) / S.F. 3008 (Rest)

	<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 districts for which the request for certification was made after June 30, 2004.

### 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:** For redevelopment TIF districts, a building would be deemed to be substandard if it was originally constructed as a public or private school and at least 50% of the building’s square footage was constructed 30 or more years before approval of the TIF plan. The TIF plan must provide for the demolition or substantial renovation of the building.

### REVENUE ANALYSIS DETAIL

- An unknown number of TIF districts would qualify.
- The proposal could 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:** Unknown.

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)