

MINNESOTA • REVENUE

PROPERTY TAX

New Brighton TIF District Extension

April 13, 2004

Department of Revenue

Analysis of S.F. 3019 (Chaudhary) / H.F. 3153 (Samuelson)

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

	Revenue Gain or (Loss)			
	<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 law enacted in 1998 provided for special rules to apply to redevelopment or soils condition TIF districts in the city of New Brighton.

Proposed Law: The bill amends the 1998 special law for the city of New Brighton. The five-year rule, which was extended in 1998 to nine years, is extended by one year to ten years. The bill also provides that the original local tax rate does not apply. The bill lists 17 parcels that are deemed to qualify for inclusion in a redevelopment district. The bill removes an 18-year limit and also extends by five years, to 2013, the authority to establish a TIF district under the provisions of the special law.

REVENUE ANALYSIS DETAIL

- Extending the scope and duration of TIF districts allows more increments to be captured, and delays the return of tax base to local levies. The change 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: Taxpayers in the City of New Brighton.

Source: Minnesota Department of Revenue

Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy