

MINNESOTA • REVENUE

PROPERTY TAX New Hope TIF District

March 31, 2003

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

Department of Revenue
Analysis of S.F. 306 (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 upon local approval.

EXPLANATION OF THE BILL

Current Law: Minnesota Statutes, Sections 469.174 to 469.178, provide authority for tax increment financing (TIF) and make provisions that govern its use. Several provisions of this law are referenced by this proposal.

Section 469.1763 provides restrictions on pooling tax increments, providing that expenditures of tax increments outside of the district where they were derived may not exceed 25% of total increments in most cases, and must be actually paid to a third party before or within five years after certification of the district.

Section 469.177 provides that the original tax rate for a TIF district is the rate in effect for the same taxes payable year as the original certified tax capacity of the district.

Section 469.174, Subd. 10, provides for certain conditions that must be met to certify a redevelopment TIF district.

Proposed Law: A redevelopment or soils condition TIF district may be established in a specified area of the City of New Hope, either by the city or the economic redevelopment authority of the city. The “five-year rule” of Section 469.1763 applies to the district as though the limit were nine years and the 25% limitation does not apply when expenditures are made to the specified geographic area of the city. The requirement in Section 469.177 establishing an original tax rate for the district does not apply. The requirements in Section 469.174, Subd. 10, for establishing a redevelopment TIF district would not apply to specified parcels.

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The exception to the 25% threshold for expenditures outside the TIF district in Section 469.177 expires 20 years after receipt of the first increment, and the authority to establish a TIF district under this proposal expires on December 31, 2013.

REVENUE ANALYSIS DETAIL

- The exceptions to the requirements of current TIF law granted by this proposal may have the effect of extending the duration of the district beyond current law.
- The possible extension of the duration of the proposed TIF district may have an impact on homeowner property tax burden and property tax refund payments during the extended period.

Number of Taxpayers Affected: Taxpayers in jurisdictions levying on property in the district would be affected.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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